S. HRG. 98-807

PROPOSED FISCAL YEAR 1985 BUDGET REQUEST

HEARINGS

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

TO REVIEW THE PRESIDENT'S PROPOSED BUDGET FOR FISCAL YEAR 1985 IN CONNECTION WITH THE PREPARATION OF THE MARCH 15 REPORT TO THE SENATE BUDGET COMMITTEE

FEBRUARY 7, 8, AND 9, 1984

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CONTENTS

Hearings: Page

February 7, 1984 1
February 8, 1984 353
February 9, 1984 835

TUESDAY, FEBRUARY 7, 1984

STATEMENTS

Clark, Hon. William P., Secretary of the Interior, accompanied by Bill Bettenberg, Director, Minerals Management Service 2
McClure, Hon. James A., a U.S. Senator from the State of Idaho 1

APPENDIX I

Attachments to Secretary Clark's prepared statement 81

APPENDIX II

Responses from Secretary Clark to additional committee questions 164

WEDNESDAY, FEBRUARY 8, 1984

STATEMENTS

Hodel, Hon. Donald Paul, Secretary, Department of Energy 365
McClure, Hon. James A., a U.S. Senator from the State of Idaho 353

APPENDIX III

Attachments to Secretary Hodel's prepared statement 437

APPENDIX IV

Responses from Secretary Hodel to additional committee questions 560

THURSDAY, FEBRUARY 9, 1984

STATEMENTS

Crowell, John B., Assistant Secretary, Department of Agriculture, accompanied by J. Lamar Beasley, Deputy Chief, Programs and Legislation, Forest Service, Department of Agriculture 997
McClure, Hon. James A., a U.S. Senator from the State of Idaho 835
Noble, Hon. Edward E., chairman of the board, Synthetic Fuels Corp., accompanied by Jeffrey A. Lipkin, general counsel; Owen Malone, ethics officer; Hod Thornber, vice president 874
O'Connor, Hon. Raymond J., Chairman, Federal Energy Regulatory Commission, accompanied by William G. McDonald, Executive Director, Federal Energy Regulatory Commission 838
Roach, Robert, Environmental Policy Institute 981

APPENDIX V

Responses from Chairman O'Connor to additional committee questions 1025

Page

APPENDIX VI

Responses from Mr. Noble to additional committee questions 1052

APPENDIX VII

Responses from Mr. Crowell to additional committee questions 1150

PROPOSED FISCAL YEAR 1985 BUDGET REQUEST

TUESDAY, FEBRUARY 7, 1984

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 10:02 a.m., in room SD-366, Dirksen Office Building, Hon. James A. McClure, chairman, presiding.

Present: Senators McClure, Warner, Murkowski, Nickles, Evans, Johnston, Bumpers, Ford, and Metzenbaum.

Also present: Richard D. Grundy, budget officer; Gary Ellsworth, deputy chief counsel—natural resources; Tony Bevinetto, professional staff member; D. Michael Harvey, chief counsel for the minority; Thomas B. Williams, professional staff member for the minority; Linda Mason, professional staff member for the minority; and Craig Gannett, counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. The committee will come to order. Today the Committee on Energy and Natural Resources will begin a series of hearings on the President's fiscal year 1985 budget for the programs under our jurisdiction.

We start this morning with Secretary Clark testifying on behalf of the Department of the Interior, followed tomorrow with Secretary Hodel on the Department of Energy, and concluding on Thursday with testimony from FERC, the Synthetic Fuels Corporation, and the Forest Service.

I observe that the Department of the Interior budget requests for 1985 reflect a decrease of approximately $100 million overall as compared to the 1984 level. I am sure Secretary Clark has come to more fully appreciate in the last several months that the Department's budget presents a seemingly unending series of difficult choices which have not only significant national policy implications but affect the day-to-day lives and livelihood of real people.

Those of us from the West have known the importance of these decisions for a long time. However, today these decisions are equally important to all regions of the country. They shape the future of our Nation's energy production, food and mineral supply, recreational opportunities, and environmental quality.

We all have different ideas on which programs of the Department should receive emphasis. I am pleased, for example, to see

that the payment in lieu of taxes program is fully funded. I applaud the new initiatives in the Department's reclamation programs and commend the Secretary for his efforts on behalf of the national park system.

On the other hand, I am troubled by the lack of funding for the Water and Mineral Institutes. I also am disturbed by the lack of both transitional and implementation funding within the Department for the compact of free association for the trust territories. My concern is further deepened by the proposal to fund the compact through the State Department.

As we proceed with the budget and appropriations for the Department of the Interior, I am sure that my priorities as well as those of other members of the committee and the Congress will become more evidence and sharply defined.

As we move forward in this process, I hope to work closely with you, Secretary Clark, to seek accommodations and solutions, keeping in mind the goal of holding the line on overall spending which this budget in aggregate represents.

Judge Clark, I want to take this opportunity to welcome you before this committee once again since this is kind of your maiden voyage on this kind of budget presentation issue. I also want to take this opportunity to commend you on the job you have been doing over the last several weeks of your first months in this office.

Before you begin your testimony, I would defer to the other members of the committee who might wish to make a statement at this time.

Senator Evans.

Senator EVANS. I will wait until we get into the details.

The CHAIRMAN. Very good. Mr. Secretary, we have your prepared statement. It will be placed in the record in full, and if you would desire to comment or summarize it in whatever manner you would care to proceed?

STATEMENT OF HON. WILLIAM P. CLARK, SECRETARY OF THE INTERIOR, ACCOMPANIED BY BILL BETTENBERG, DIRECTOR, MINERALS MANAGEMENT SERVICE

Secretary CLARK. I thank you, Mr. Chairman. I don't feel it is necessary to read the statement that has been submitted.

It is really a privilege to again come before you. The last time I appeared here, of course, was during my confirmation hearings. At that time I noted that the President had asked me to review what he termed the three P's—the policy, personnel, and process of the Department.

In the intervening time I assure you that has been done and, for the most part, I believe, accomplished. I can give just the highlights of that as it relates to the budget if you wish.

In the area of process, I think it has become apparent that all doors are open at Interior, not only to the Congress but, I believe, also to the press and to the different groups with interest in what we are doing. Most important, communication has greatly improved among the 10 bureaus.

The 10 bureaus have come together each morning at 8 o'clock in an approach not unlike that of a corporate board of directors. I

know that you have, in the past, stated your concern over apparent autonomies among the 10 bureaus. However, I feel that in this approach—which has been the President's approach to decisionmaking during the time I have known him—each member of the senior group is afforded the opportunity to comment or make suggestions on every issue whether the issue is immediately in that person's area of responsibility.

Again, under process, as you know from conferring with me during the recess, we have realined 6 of the 10 bureaus. We now have what we consider to be a better alinement for management purposes. First of all, Water and Science is a new secretariat under which we have gathered water and science groupings—the USGS, the Bureau of Reclamation, and the Bureau of Mines. I have asked Bob Broadbent, the former Commissioner of the Bureau of Reclamation, to step upward to the Assistant Secretariat position. He is now Assistant Secretary Designate and will be later considered for confirmation in that position by your committee.

Moving over to Land and Minerals Management, a second, newly established secretariat, we now have BLM, MMS, and OSM. I think this makes a more logical alinement from a managerial standpoint, and it does seem to be working well thus far.

Continuing under process, we appreciate this committee's fast action on the hearing for confirmation of Ann McLaughlin, our new Undersecretary Designate, and Rick Montoya, our new Assistant Secretary Designate. We have two others coming up soon.

For MMS, I have asked Bill Bettenberg to head that very important entity. Bill is with us today, covering the overlap with what he has been doing as one of our finest careerist professionals in the budget area. He will now be undertaking his responsibilities in the critical area of MMS.

Additionally, under the P's, of course, is policy. In that area we have not only conducted a rather full review in several major areas, but we have made decisions aided by maximum consultations with committee and individual members on both the Senate and House sides. Specifically, I would include in that review OCS leasing, competitive versus noncompetitive oil and gas leasing on shore, and additional land acquisition in parks and refuges. I think we are on track and will, in this year, make decisions of great magnitude and gravity. As I mentioned in my confirmation hearing, these decisions will be made with a bipartisan spirit on national issues of grave interests.

So if I could—as far as the budget itself is concerned—I would like to state that while I have come into the process at what might be called the 11th hour, that is not to say that I have not been personally involved in the finetuning, some of which went on right up until last night. I believe you have before you the latest updates, and hopefully we are prepared to answer your questions today.

The CHAIRMAN. Thank you very much.

[The prepared statement of Secretary Clark follows. The attachments are shown in appendix I.]

Statement of William Clark, Secretary of the Interior

Before the Senate Committee on Energy and Natural Resources

February 7, 1984

Mr. Chairman, and Members of the Committee:

I appreciate the opportunity to appear before you once again, to thank you for your vote of support, and to continue communication and cooperation between the members of this Committee and the Department of the Interior.

The Department accepts seriously the trust it has undertaken for all Americans. The FY 1985 budget provides the support necessary to continue and strengthen our efforts in providing this stewardship.

The 1985 Interior budget totals $6,490 million in gross budget authority, a decrease of $104 million below the 1984 level. The amount requested for the Department's discretionary programs is $51 million below the 1984 levels. Mandatory programs decreased by $53 million.

The 1985 budget for Interior programs is tailored to promoting basic priorities, while reducing expenditures on less essential activities. Budget proposals provide funding for land acquisition in national parks and wildlife areas; announce five "new start" Western water projects (three to begin in 1984 and two in FY 1985); and announce increased grants to States from the Abandoned Mine Reclamation Fund for restoration of abandoned mines.

We estimate that FY 1985 receipts from oil and gas leasing onshore and on the Outer Continental Shelf will total $7.4 billion. The estimate of total receipts by the Department is approximately $10.3 billion, which is about $4 billion more than our total budget request.

o Realignment of Assistant Secretaries

While in the midst of reviews of policy, personnel, and process at the Department as directed by President Reagan, I have made some policy, organizational, and personnel changes designed to improve management so that the Department can better serve the public.

Last month I announced a realignment of responsibilities for two Assistant Secretary positions. Briefly, we decided to bring together under one Assistant Secretariat (now Lands and Minerals Management), the Bureau of Land Management (BLM), the Minerals Management Service (MMS) and the Office of Surface Mining Reclamation and Enforcement (OSM). This realignment places policy and leadership responsibility for all mineral leasing under one Assistant Secretary reporting directly to the Secretary.

The realignment also places under one Secretariat (Water and Science), the Bureau of Reclamation, the Geological Survey and the Bureau of Mines. There is now a clear responsibility in one Assistant Secretary reporting directly to the Secretary for development and implementation of policies for two of the Nation's major resources -- water and critical and strategic materials.

o Land Acquisition

I believe it is now appropriate to resume funding for the acquisition of lands for parks, refuges and wetlands.

The FY 1985 budget provides a total of $157.5 million, all from the Land and Water Conservation Fund, to support new Park Service and Fish and Wildlife Service acquisitions. Of the total request, $100 million, $7.5 million more than the 1984 appropriation, is budgeted for land acquisition at National Parks to help round out existing areas. A total of $57.5 million is requested for Fish and Wildlife Service acquisitions -- an increase of almost 36 percent above the 1984 appropriation.

o Park Restoration and Improvement Program

This Administration has emphasized a program for upgrading and restoring our National Parks. The 1985 request brings the four-year total for the Park Restoration and Improvement Program to $994 million, virtually attaining the $1 billion target a full year ahead of schedule.

o Water Resources

The President's budget announces five new construction starts; three in FY 1984 and two in FY 1985. We are submitting a FY 1984 supplemental which would permit us to start the enlargement of Buffalo Bill Dam and Powerplant in Wyoming; construction of power generating facilities at Headgate Rock Dam for the Colorado River Indian Reservation in Arizona; and construction of Santa Margarita Project to augment needed southern California water supplies including supplies for the Marine Corps' base at Camp Pendleton. The FY 1985 new starts include the uprating of existing generators and construction of other facilities at Hoover Dam in southern Nevada, and the enlargement of Palisades Powerplant on the Snake River in southeastern Idaho. The costs for all of these projects will be shared with local beneficiaries, consistent with the President's recently announced cost sharing policy.

The 1985 budget request for the Bureau of Reclamation's discretionary programs is $1.08 billion, an increase of $113.7 million over FY 1984 appropriations.

o Surface Mining

The FY 1985 request for the Office of Surface Mining, Reclamation and Enforcement totals $361.4 million; an increase of $19.5 million over FY 1984. The Department's commitment to surface mining has four major elements. First, we are committed to State primacy. Second, we are committed to providing to States those resources needed to carry out their approved regulatory program. Third, we are committed to an oversight role to work closely with States to ensure conformance with the regulatory intent of the Surface Mining Control and Reclamation Act of 1977. Finally, the Department is committed to ensuring the rapid reclamation of previously mined lands, using fees collected for that purpose. We are, therefore, requesting ^291.7 for this important program in FY 1985.

o Offshore Oil and Gas Leasing

I think we can all agree that the oil and gas resources of the Outer Continental Shelf (OCS) are extremely important to the future of America. Stories proclaiming "a world oil glut" should not disguise the fact that our daily oil imports have surged after the low last February and March, and now stand at 5.3 million barrels a day, or about one-third of current domestic consumption.

Earlier this year, I announced a number of changes in the OCS leasing process that are intended to allow appropriate exploration and responsible development of these important resources as mandated by law. We will make a concerted effort to increase State and public participation and to resolve State, environmental and military conflicts much earlier in the leasing process. Industry will be asked to define more precisely at the beginning of the leasing process, the areas of particular interest. The FY 1985 budget provides $103.2 million for this program, a decrease of $5.5 million from FY 1984 levels. The decrease primarily reflects efficiencies in the supervision of operations and a reduction in the need for additional geologic and geophysical data to supplement the existing data base.

o Onshore Oil and Gas Leasing

In early November, the Department suspended the Simultaneous Oil and Gas Leasing System (SIMO) immediately after discovering procedural irregularities regarding the classification of lands for competitive versus non-competitive leasing. Although the problem was limited to the State of Wyoming, all public lands were reviewed and the entire program was evaluated.

Following my personal review and study of available options, I have decided to reinstate the SIMO program with certain modifications.

I am fully confident that steps outlined in my letter of January 31 provide assurances that the SIMO program will be well managed and the most efficient means to stimulate oil and gas development on lands not falling within Known Geological Structures (KGS).

The FY 1985 request includes $43.2 million for the overall onshore oil and gas leasing program, an increase of $6 million. The increased funds would be used primarily to build up inspection and enforcement activities, partly in response to the Federal Oil and Gas Royalty Management Act, and for such pre-lease activities as the review and classification of Known Geological Structures.

o Revenue Sharing

States and counties are expected to receive $662 million from Interior in FY 1985 as their statutory share of receipts from such sources as onshore mineral leasing, timber sales, and grazing fees within their borders. This would be $105 million less than expected distributions in FY 1984 when States will receive their share of a 17 month accumulation of Federal mineral leasing receipts in a one-time-only shift from semi-annual to monthly payments.

o Payments in Lieu of Taxes

The Administration is requesting $105 million for the Payment in Lieu of Taxes program (PILT) for payments to counties containing non-taxable Federal lands. This will provide full funding under current statutes.

o Territorial Affairs

After lengthy negotiations, the governments of the Federated States of Micronesia (FSM) and the Marshall Islands have signed and ratified Compacts of Free Association, which have been approved in local plebiscites. During the next few weeks, the Administration plans to forward these Compacts to the Congress and to the United Nations Security Council for approval on behalf of the FSM and the Marshall Islands. The Department of the Interior will maintain trusteeship responsibility for the Republic of Palau, until such time as political status negotiations are completed with that government. The request for all of Territorial Affairs is $149.9 million, which includes $96.1 million for the Trust Territories.

o Indian Affairs

Although the budget for the Bureau of Indian Affairs does not fall under the jurisdiction of this Committee, I want to report on some of BIA's activities in order to provide you with a comprehensive picture of our request. One year ago, the President announced a policy to foster Indian self-government and to strengthen reservation economies. In carrying out this policy, we have funded the Economic Development Initiative at $10 million in FY 1985 -- a program which in immediate past fiscal years has encouraged private sector investment. Additionally, we are committed to providing a quality education for those Indian children who attend Bureau of Indian Affairs schools. Funding proposed for school operations will increase the amount spent per student over the FY 1984 amount.

o Refuge Management

The budget also requests funds for the second year of the Accelerated Refuge Maintenance and Management (ARMM) program, with an additional $1.3 million, for a total program of $15.9 million, to repair deteriorating facilities and improve resource protection and management within the National Wildlife Refuge System. The budget requests an additional $6 million for the Fish and Wildlife Service for a new lake liming research and demonstration program to restore acidified lakes and sport fish habitat.

Throughout my tenure at the Department of the Interior, I will be seeking to assure maximum openness to inform the Congress and the public of policies and programs of the Department. I will also seek your counsel and advice, and encourage your open and frank communications.

DEPARTMENT OF THE INTERIOR

FY 1985 President's Budget
Analysis of Budget Authority
By Senate Authorizing Committee

(Dollars in thousands)

	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Change 1985/1984
ENERGY AND NATURAL RESOURCES				
Bureau of Land Management	1,141,919	612,361	608,856	-3,505
Minerals Management Service	182,127	879,437	766,496	-112,941
Office of Surface Mining...	274,062	341,973	361,390	+19,467
Bureau of Reclamation.....	922,505	983,036	1,094,781	+111,745
Geological Survey.....	378,184	395,430	392,312	-3,118
Bureau of Mines.....	145,207	138,125	118,134	-19,991
National Park Service (except JFK Center).....	1,075,810	930,476	836,290	-94,186
Office of Territorial and International Affairs.....	237,392	253,209	212,961	-40,248
Office of the Secretary....	51,601	45,488	47,371	+1,883
Office of the Solicitor....	19,551	19,683	20,157	+474
Office of the Inspector General.....	21,900	17,201	18,053	+852
Total, Energy & Nat. Resources	4,450,258	4,616,369	4,476,801	-139,568
ENVIRONMENT AND PUBLIC WORKS				
Fish & Wildlife Service 1/	496,411	513,530	529,791	+16,261
National Park Service: JFK Center.....	4,336	4,542	4,621	+79
Total, Env. and Public Works	500,747	518,072	534,412	+16,340
SELECT COMMITTEE ON INDIAN AFFAIRS				
Bureau of Indian Affairs....	1,626,527	1,460,192	1,479,173	+18,981
Total, Select Committee on Indian Affairs.....	1,626,527	1,460,192	1,479,173	+18,981
TOTAL, ALL COMMITTEES.....	6,577,532	6,594,633	6,490,386	-104,247

1/ The Energy and Natural Resources Committee shares jurisdiction over part of the Fish and Wildlife Service's programs. All funds for FWS are shown in Environment and Public Works.

Office of Budget
January 27, 1984

DEPARTMENT OF THE INTERIOR

FY 1985 PRESIDENT'S BUDGET
DISCRETIONARY AND MANDATORY BUDGET AUTHORITY AND OUTLAYS

(Dollars in thousands)

	FY 1983 Actual			FY 19[illegible] Estimate			FY 1985 Estimate			Change FY 1985/FY 1984		
	Discretionary	Mandatory	Total	Discretionary	Mandatory	Total	Discretionary	Mandatory	Total	Discretionary	Mandatory	Total
ENERGY AND NATURAL RESOURCES												
BLM.....	539,649	602,270	1,141,919	535,018	77,323	612,361	520,414	88,422	608,836	-14,604	+11,099	-3,505
MMS.....	182,127	--	182,127	164,625	714,812	879,437	167,381	599,115	766,496	+2,756	-115,697	-112,941
OSM.....	274,062	--	274,062	341,923	--	341,923	361,390	--	361,390	+19,467	--	+19,467
BuRec.....	917,056	5,449	922,505	963,416	19,620	983,036	1,076,931	17,850	1,094,781	+113,515	-1,770	+111,745
GS.....	378,184	--	378,184	394,930	500	395,430	391,812	500	392,312	-3,118	--	-3,118
BOR.....	144,568	639	145,207	137,425	700	138,125	117,634	500	118,134	-19,791	-200	-19,991
NPS (except JFK Center).	1,072,935	2,875	1,075,810	916,759	13,717	930,476	818,466	17,824	836,290	-98,293	+4,107	-94,186
TIA.....	181,829	55,563	237,392	193,409	59,800	253,209	149,961	63,000	212,961	-43,448	+3,200	-40,248
SEC.....	51,601	--	51,601	45,488	--	45,488	47,371	--	47,371	+1,883	--	+1,883
SOL.....	19,551	--	19,551	19,683	--	19,683	20,157	--	20,157	+474	--	+474
IG.....	21,900	--	21,900	17,201	--	17,201	18,053	--	18,053	+852	--	+852
TOTAL.....	3,783,462	666,796	4,450,258	3,729,897	886,472	4,616,369	3,689,590	787,211	4,476,801	-40,307	-99,261	-139,568
ENVIRONMENT AND PUBLIC WORKS												
FWS[1/].....	340,189	156,222	496,411	375,668	137,862	513,530	380,613	149,178	529,791	+4,945	+11,316	+16,261
NPS: JFK Center..	4,336	--	4,336	4,542	--	4,542	4,621	--	4,621	+79	--	+79
TOTAL.....	344,525	156,222	500,747	380,210	137,862	518,072	385,234	149,178	534,412	+5,024	+11,316	+16,340
SELECT COMMITTEE ON INDIAN AFFAIRS												
BIA.....	1,149,902	476,625	1,626,527	944,593	515,599	1,460,192	928,696	550,477	1,479,173	-15,897	+34,878	+18,981
GRAND TOTAL..	5,277,889	1,299,643	6,577,532	5,054,700	1,539,933	6,594,633	5,003,520	1,486,866	6,490,386	-51,180	-53,067	-104,247

1/ This Committee shares with the Energy and Natural Resource Committee jurisdiction over part of the Fish and Wildlife Service programs. Since Environment and Public Works has primary jurisdiction, all funds for FWS are included here.

Office of Budget
February 1, 1984

Senator JOHNSTON. Mr. Chairman?

The CHAIRMAN. Senator Johnston.

Senator JOHNSTON. I just wanted to praise and compliment Secretary Clark on what I consider to be an outstanding start as Secretary of the Interior.

I wish I could find something to criticize because as the minority member, the opposition, it is our job to point out faults; but I honestly cannot suggest any faults. You probably better go back and examine your policies if I can find no faults, Mr. Secretary.

Seriously, I find what you have done to be both sensitive and sensible, which is a rare combination. You have been sensitive to the environmentalists; I am not usually their chief spokesman, but I can say that they are very pleased with your willingness to listen and include them in decisionmaking. That doesn't mean to say they will approve or even have approved of every jot and tittle of your policy; but attitude and style are so important in your position, and I think they have been perfect so far.

I particularly am pleased that we have added money for land acquisition. I think $157 million is probably not going to be enough to suit me and we will probably try to add a bit, but it is in the ballpark. Such a great deal of progress has been made in that respect; so Mr. Chairman, I just want to say that ringing endorsement to Secretary Clark in the way he is conducting his job, and if he can continue in this way, I think he will be one of the all-time great Secretaries in this job.

Secretary CLARK. Thank you, Senator.

The CHAIRMAN. You wouldn't liken that, would you, to the newlywed who looked at his wife after 2 months of honeymoon and said, "You're the perfect wife"?

Senator JOHNSTON. After 2 months?

The CHAIRMAN. After 2 months of honeymoon.

Senator JOHNSTON. Well, maybe the honeymoon will last a little longer.

The CHAIRMAN. Mr. Secretary, there are a couple of things that I would like to focus on for just a moment because they have been discussed a great deal over the last couple of years, maybe even 3 years, since this administration took office. First is the expenditures of money with respect to the acquisition and development of land for recreation, park, and wildlife and refuge purposes. This goes back a long ways and I will be repetitive only to a very small degree.

We made a conscious decision a number of years ago to focus upon acquisitions because it was felt by the Congress and the administrations—and I say that in plural because it goes back before the Carter administration, and indeed was in place some years before they came to town—that there were a number of lands in the United States that were changing in their character, and would be changed to the point of being irrevocable in that change, that ought to be included in some kind of a different status that would either preserve there character, or preserve there uses for the public, in ways that were being lost; so we consciously diverted most of our money into land acquisition, but this also meant that, for many people who were looking at the parks, the developments that we also authorized when authorizing a park or wildlife refuge

oftentimes could not be made. For people in the local community that oftentimes meant that their economic base was taken from them as we interrupted the economic activities on those lands, and that it was not replaced by the promised increase of public use that would provide a different kind of an economic base for the local economy. So while we did, I think, make the right choice with respect to the focus of those activities, we fell behind very badly on keeping commitments that the Congress had made in the authorization of those units.

At the same time, when this administration came to Washington, they focused upon another aspect of the public land unit management that had been neglected when we looked at the acquisitions as a primary thrust, and that was the maintenance of the facilities that we had, and the maintenance of the units that we had.

If I recall correctly, we had a survey made with respect to health and safety hazards, and the initial estimate was that it would take nearly a billion dollars to just reduce health and safety hazards to an acceptable level. I think that was later reduced to about $550 million on the most critical health and safety hazards to the public and to the personnel who work there.

Over the last 3 years with emphasis on that stewardship responsibility, we have indeed reduced, if not eliminated, the major health and safety hazards that were found and identified, but that still leaves the other two. One is the acquisitions which we fell behind on as we concentrated on health and safety hazards. And the other is the installation of facilities to provide meaning to some of those units, the meaning which the Congress had in mind at the time they were authorized the promises that were made to the people in the local community for the economic base.

What I see in this budget that has been presented to us is a recognition that the major health and safety hazards have been corrected, because we focused on that for the last 2 or 3 years, and we did fall further behind in the schedule for acquisitions. But I see no real emphasis yet upon that third factor, the development of facilities, and I would like some comment from you if I might as to what we might do.

We have a backlog of $1 to $2 billion on acquisitions.

I doubt very much if there now is an updated estimate of cost on the backlog on facilities, because they are original estimates, oftentimes made several years ago. But I am sure that the backlog on facilities would be greater than the backlog on acquisitions, or at least equal. And then there is the other side of that issue upon which there has been tension between the administration and the Congress, and that is the State and local government share of the land and water conservation fund and the State recreation plans approved by the Department as the policy of the country. The backlog in the State outdoor recreation plans, as I recall, is something on the order of $4 billion; so there is much to be done, and I say that not to detract at all from the reinstitution of acquisitions as a part of the program budget mix, but to reflect my concern about the other elements which I do not see being addressed in the budget this morning.

Secretary CLARK. All right, Senator. On construction, I believe the request this year is about $78.3 million. I think you character-

ize our priorities correctly; 3 or 4 years ago, it was revealed that the American people felt it was no longer necessary to acquire great tracts of land for parks. There was concern that deterioration existed in our 334 some park units. Therefore, emphasis was placed on updating—both repairs and, hopefully, new construction—at the appropriate time. I think that this has been a highly successful program. I am referring, of course, to the parks and recreation improvement program [PRIP]. At a cost of approximately $1 billion, the program will be completed in a little over 4 years, rather than the estimated 5 years.

Now priorities change. They must. The budget is a policy document that must be flexible. We hope we have shown that flexibility in this year's proposals—approximately $100 million for acquisition—no new units as such, but there will be a rounding out and tidying up of existing park units. The proposal will affect approximately 30 existing units. I believe this is some $7½ million over what the Congress appropriated for 1984. Construction is also very much in mind; and as we take a flexible approach, I think that we will be looking at that, as you suggest.

Flexibility should exist in both acquisition and conveyance. Apparently little noticed last week was the fact that the Park Service conveyed 821 acres from its inventory which might surprise some I think this is a good example of a showing of flexibility. This property had been acquired in Montana near Glacier National Park in the sixties. Later, we determined, that it was excess as there was no longer a need for its intended purpose—a park airport—so it came out of our inventory.

However, it served a second, immediate purpose, that being in trust for the Black Feet Tribe. It was conveyed in our offices here. I cite that as what I hope to be an example of many to follow illustrative of flexibility in both acquisition and conveying, so essential to good property management.

The CHAIRMAN. Thank you very much. May I yield to Senator Murkowski for one question? I understand he has to leave.

Senator MURKOWSKI. Thank you very much, Mr. Chairman. I do apologize, Mr. Secretary.

As you know, Alaska waited some 25 years for its conveyance of land, 104 million acres as well as 40 million acres to our community, and there is a slight decline in your management and land resource budget in land and realty management and survey, and what I would like to have is your assurance in keeping with the commitment of the previous Secretary of State to insure that indeed not only do those conveyances continue as a priority item of the Department, but that the patenting process be expedited because obviously in order for those lands to be useful in the sense of recipients they have to be patented.

And I know that we have some differences in the method and prioritization of those lands where our State is interested in seeing areas closer to the cities as opposed to the Interior Department's efforts to move out and convey large tracts, but I would hope, Mr. Secretary, that these budget reductions in the area to million, six, in this category would not slow down this pace which we consider pretty slow, 25 years is a long time for a State to wait for its contracted land.

35-235 O - 84 - 2

Secretary CLARK. Yes, Senator. You have my assurance in that regard. I believe we are on schedule. For the past 3 years we have shown an acceleration in that process, keeping in mind the essential element of the ability of those to whom we are conveying to receive and manage the properties.

We have also had, of course, difficult problems in surveying, mapping, and designating. I would hope we are current, and this is something I will continue to discuss with you.

Senator MURKOWSKI. I appreciate your interest and prioritization.

Thank you, Mr. Chairman. I appreciate the opportunity.

The CHAIRMAN. Thank you. Senator Johnston?

Senator JOHNSTON. Thank you, Mr. Chairman. Mr. Secretary, I praised you a moment ago for your $157 million for Federal park acquisition. At the same time, the old BOR account, that is the State matching funds, is zeroed out again this year, as is the historic preservation and the urban parks programs.

Could you give me the Department's rationale for zeroing these and what we might expect in the future?

Secretary CLARK. Yes, Senator. On the first point, I recognize that the funding for State grants has been zeroed. However, our projections indicate that at the end of 1984, the States will have some $280 million accumulated in that fund. Therefore we feel that to add additional moneys in 1985 would serve no immediate, reasonable purpose.

Senator JOHNSTON. Do you recall if that has been obligated?

Secretary CLARK. I believe it has, but I can check on that for you and get back.

[The information follows:]

THE SECRETARY OF THE INTERIOR
WASHINGTON

April 6, 1984

Honorable J. Bennett Johnston
United States Senate
Washington, D. C. 20510

Dear Senator Johnston:

During the hearing of the Senate Committee on Energy and Natural Resources held on February 7, 1984, you raised a question as to whether the projected unexpended balance of $280 million available to the States under the Land and Water Conservation Fund would all be obligated by the end of FY 1984. We are estimating that the entire balance of $280 million will be obligated before the close of this fiscal year.

If I can be of any further assistance in this regard, please do not hesitate to contact me.

Sincerely,

William Clark

cc: Senate Energy and Natural Resources Committee

Secretary CLARK. On the urban park question, Senator Johnston, again looking at our priorities as well as the budget deficit with which we are all concerned, I simply feel that while everyone deemed it to be critical 4 and 5 years ago and we did as someone said, play catchup ball, those purposes have now been served. We would hope that the urban parks, having been given that very heavy shot in the arm, are sufficiently provided for through local assistance. Again, certainly we are willing to take another look at it if you wish.

Senator JOHNSTON. Thank you, Mr. Secretary. Now I notice there is $5.5 million in this budget for the USGS to conduct acid rain research.

Do you know what kind of acid rain research activities are included within this?

Secretary CLARK. Yes. Generally USGS is monitoring stream and lake flow. It has come forth in the past 2 weeks with a report which I would really commend to you. I think it is $2.75 for the publication, written by Dr. John Turk. It reveals probably more of what we don't know than what we do know. I believe it justifies the President's position on the necessity for a lot more research in this area.

For instance, Doctor Turk points out that USGS studies now reveal that acidification in the Northeast was created, for the most part, prior to the midfifties, that the situation was stabilized in the sixties, and that our concerns should be directed more toward the Southeast and the West where acidification is increasing at a much higher rate. In addition to the $5.5 million you mentioned, we also are requesting for this year $6 million for the liming of lakes in the Northeast. This goes from pure research and study to positive action in attempting to remedy acidification in certain small lakes in the Northeast. That proposed appropriation is under Fish and Wildlife.

Senator JOHNSTON. Thank you, Mr. Chairman. Finally, Mr. Secretary, I would just hope you are successful in being able to defuse this question of OCS drilling. It has been a difficult question. Senator McClure and I are up here tacking on amendments to the appropriation bills and having a moratorium which had not really been in my view connected to any study about any real dangers. But it has been an emotional, political response of the Congress to political problems in the various States, particularly Florida and California.

Now in my view, a State is entitled to be consulted. It is entitled to have any drilling that is done be consistent with its coastal zone management plan, provided that it is a real plan to manage the coast and not just a moratorium cloaked in the garb of a CZM plan.

I think States are entitled to obviate all substantial dangers to the environment. I think those are legitimate concerns, and I think States have in the past been concerned that those interests will not be served.

On the other hand, I think the Nation is entitled to have drilling in rich OCS areas done for the national good where it can be done safely, where it is not a real danger to the environment, and where

there are some real rich deposits, and they are entitled not to have emotional and political objections stand in the way of that.

Now it is very easy to say those broad generalizations. It is very difficult to convince States, Congressmen, and Senators that you have touched all those bases.

I would simply commend to you that the attitude with which you have started is the kind of attitude that would help solve those problems. If a Governor senses that the Secretary of the Interior is really not going to run over him and put all these dirty oil wells out there but put them only in the right places and then safely monitor them, I think he will likely allow you to do it. I just wish you all the best in getting it done so Senator McClure and I won't have all that grief up here when the appropriation bills come up.

Secretary CLARK. Senator, since we met here in November several things have occurred in the OCS area. I mentioned the realignment to put the Minerals Management Service over with land management, to try to shorten the string on that term "management." Bill Bettenberg, who is in charge of MMS, is in the midst of a review of existing leases to determine where we have been, where we are and where we should be moving. That has led to several determinations.

We start, as we must, with the law. In 1978 you told us to go out there to explore, to develop, to produce offshore in the national interest toward reducing our dependency. Unfortunately, that dependency in recent months is back about where we were in 1973 during the OPEC crisis. Some 28 percent of our national consumption of petroleum is from imports. We have not done a very good job.

That being the law, we must also examine process as has the advisory commission on OCS. It has announced a series of changes which we have discussed.

Some would characterize the changes as frontloading the process, bringing State and local and public participation into the process at the beginning rather than at the 21-month process.

I believe industry has received the announced changes in very good will. We expect a lot more from industry on the front end, advising us what truly interests it with a minimum of masking. By narrowing industry's view, we all will avoid a loss of time and, I might add, trouble as we proceed through the 21-month stage. We feel it is going well. We have actually moved that new process into being.

I share your concerns, though. I might add that I believe it was on the morning of my announcement of the new process that the Supreme Court handed down its decision concerning the direct effect, if any, on State rights by the mere leasing of designated areas. The media announced this to be a Federal or administration victory. I responded by saying I see no victory in it. There should be no winners or losers in this process. We are all going in the same direction, and consistent with Justice O'Connor's admonition that we consult with State and local agencies, we had already announced greater consultations at the local level.

California is a good example. There we are setting up meetings to consult about not only future proposals but also the central and southern California leases that are in process now. I, nevertheless,

share your concerns in both the processing and the informational aspects of OCS activity. I hope we can show some progress very soon in educating all parties on the law, the need, and what we consider to be the procedures in further production.

Senator JOHNSTON. You understand when you go through all the things you ought to go through, when you satisfy all the procedural necessities, when you do everything right, assure maximum safety, there will still be some people who are going to object to any well off California or any well off Florida. You are never going to be able to satisfy everyone.

I would urge you in that respect to look off the coast of Louisiana where we have over 20,000 holes and no major spill, no real spill at all that I know of in over 25 years. So commonsense has got to finally triumph along with very careful, sensible, and sensitive management of that issue.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Evans.

Senator EVANS. Mr. Secretary, let me join with Senator Johnston in commending you on a heck of a start, and the Department, on the work that has been done in the few months since you have been there, which almost coincides with the few months since I have been here.

I have several questions in general, and then we will submit some that are in more detail that relate to projects of particular interest to us in the State of Washington.

I noticed, and some of this may be in the nature of just information for me, under the Bureau of Land Management, under renewable resources, you have a very substantial reduction, in the soil, water, and air management appropriation. It says, and this is from a staff analysis, reductions are achieved by reducing soil and water inventories.

Can you enlighten me a little on what that relates to? What kind of soil and water inventories are we reducing, and how does that relate to the reduction in both staffing and budget?

Secretary CLARK. This is, you say, your staff analysis, Senator?

The CHAIRMAN. My understanding is that that comment comes from your budget submission. I refer to page 36 of the Interior's budget submission. Near the bottom of the paper, "Soil, Water, and Air Management" identifies the dollar amount. My understanding is that although we do not have the budget justification, that conversations between staffs identified the subject matter Senator Evans has pointed out.

Senator EVANS. Perhaps I can develop that into a written question.

Secretary CLARK. This is conclusory. I would like some time to become aware of details, Senator, if I may.

Senator EVANS. OK. Under the second one, which is under the Bureau of Mines, there are a couple of significant reductions. There is decreased funding for "Health and Safety Technology," and then no funding for "Mineral Institutes." Again, this is probably more for my information than anything else.

What is the nature of the responsibility of the Mineral Institutes and why has the Department essentially zero budgeted that ele-

ment? And why such a reduction in Health and Safety Technologies?

Secretary CLARK. All right, Senator. First of all, on the Institutes—and perhaps I could cover another segment of institutes at the same time, the Water, as well as Mining Institutes—the feeling has been that direct grants and similar assistance were necessary in the past and we have been very active in furnishing all types of information and technical assistance. However, what began as some would term as seed money has now arisen to a level suggesting something close to a subsidy. It hasn't been a significant amount, but as we look at our priorities, it is just something that we felt was not needed this year. While that does not mean we won't continue supporting the institutes in every possible way we can, we felt that direct grants were not necessary in 1985.

On the mine safety side, again as we follow this course of flexibility, it is felt in looking at what has been accomplished over the past several years in dollar amounts, that it has been an ongoing, almost automatic expenditure that could be more fairly handled at local levels by industry, as it is really the greatest contributor to safety needs.

Senator EVANS. Secretary Clark, have these subsidies been distributed primarily to institutes located at colleges and universities?

Secretary CLARK. Yes, Senator. That is my understanding, as to both water and mining. I recognize, of course, that there is a congressional intent here. I believe the Department proposed zero last year and the year before, as well, and each time Congress made the appropriations. If that is the Congress desire this year, we certainly intend to implement it.

Senator EVANS. I guess I will await my judgment until I get better acquainted, but if there are opportunities to save money in a place where we have gotten away from our original operation, then perhaps that is something we ought to consider.

On the Bureau of Reclamation, you have two new starts—Boulder Canyon and Palisades Power Plant. I understand the authorization bill constains a number of potential new starts and it is wending its way through the Congress.

How did you select these two from among the numbers which are in the authorization bill?

Secretary CLARK. In both instances—the three starts we have in the 1984 supplemental and the two in the 1985—it is a difficult process, Senator. You have referred to fiscal year 1985. My review of the Colorado River Basin between Christmas and New Year's included, of course, Hoover Dam. We recognize that the proposal for that dam will almost double its hydroelectric capacity. We feel that should be a high priority which would probably produce a very quick return to those who, by reason of the nature of their use are going to have to finance the improvements.

Palisades, of course, has been in the planning stage for a long time. Frankly, I did not give it the same priority as the Hoover or the three projects in the fiscal year 1984 supplemental. Our Bureau of Reclamation, in consultation, felt that the Palisades' time had come. I hope Bob Broadbent will provide far more detail at the appropriate time.

Senator EVANS. Would those projects rank high among the numbers in the proposal or in the bill in terms of their cost to benefit ratios?

Secretary CLARK. Yes. That was a factor, but as we announced in our cost-sharing clarifications, each project being unique, will require individual assessments. For instance, Santa Marguerita which is in the fiscal year 1984 supplemental and is not yet authorized—hopefully it will be—is deemed to have a good cost/benefit factor. It appears there will be a 60 to 40 split between Camp Pendleton Marines, where water use has reached the top limit, and the Fallbrook Irrigation District. Almost all cost-sharing money is going to be up front for this project.

Headgate, of course, has been planned for years. It will provide hydroelectric benefits for Indians in the lower Colorado. So we foresee resolvable cost/benefit problems which, in the short time I have been there, I find to be one of the most critical issues in establishing priorities for new starts.

Senator EVANS. I will submit some written questions under the USGS, some substantial increases and decreases in funding on a number of the agencies within that Bureau. Mostly it is just to gain more information on the why's of some of the significant decreases in some areas and corresponding increases in others, but I won't try to get into that at this moment.

I will be interested, and again will do it through written questions, as to why the Mineral Management Service requires a 17-percent increase in the general administration. That is certainly more than cost efficient by some businesses.

Secretary CLARK. Yes, Senator. I think primarily inspection and accounting are heavy items. Bill Bettenberg is here now if you would like him to go into detail on that. He has just taken over MMS.

Senator EVANS. The total budget seems to be approximately the same with hardly any change, but, in effect, the change in the general administration is a pretty significant share of the total increase in that.

Secretary CLARK. Yes.

Senator EVANS. The one last area of questioning relates to questions both the Chairman and Senator Johnston have mentioned.

In the land acquisition for national parks, where there is a significant reduction in general land acquisition and zeroing out of urban parks and historic preservation, while I recognize that we may have had a bulge in acquisition in all three of those areas and have added to our inventory, nonetheless it appears to me that to zero out, or to abandon efforts, in both of the two areas that are zeroed out may be excessive.

I don't know at this moment and I suppose none of us do what historic sites may come under significant pressure. They may be available and highly desirable to preserve, and once gone, of course, they are never retrievable. It seems to me that having some flexibility and some ability to at least have an amount of money available for land acquisition programs in any or all of these areas would be desirable.

Secretary CLARK. The Historic Preservation Fund, Senator, of $26 million for 1984 as I understand it, was not designated for land

acquisition. It was more in the area of administration or, in that overused term, "seed money." It was distributed among States and territories. I think you should not infer from the "zero" any lack of interest.

Tax credits, which are an important indirect benefit, are estimated to result in some $3 billion in benefits from construction and other activity as a result of that indirect benefit. It is almost inaccurate to term it "indirect" when you look at the dividend in our policy to encourage this. In the sixties where it became apparent that State and local governments were not as interested as they should have been or might have been in historic preservation, large infusions of money from the Federal level were important to create that interest and to encourage the administrative structures, State by State to inventory and preserve historic sites.

Once the interest caught on as it has, of course, we felt we could step back from the administrative costs and simply remain involved. The 25-percent tax credit would be all the incentive needed. But again, as you have done the last 2 or 3 years, if that $25 or $26 million is appropriated, we will know what to do with it.

Senator EVANS. Well, I certainly don't disagree that many of the historic sites that should be preserved in the country are of more interest either to communities or to the States in which they are located. There are probably relatively few which have national importance, but it is those few which have national importance that we don't want to fall through the cracks and take a chance on losing.

Another element of the land acquisition on the National Park Service is the zeroing out of extension to States in the Land and Water Conservation Fund.

What is the rationale for doing that?

Secretary CLARK. Again, Senator, the accumulation in that account for State grants—some $280 million now—has been allocated but unspent. For that reason we felt it unnecessary to request more for that account for 1985.

Senator EVANS. They can draw down from the 288 during the course of the next year?

Secretary CLARK. This is my understanding.

Senator EVANS. There has simply been no significant requests from States for that purpose?

Secretary CLARK. I don't know the answer to whether there have or have not been requests.

The second point to your question, Senator——

Senator EVANS. Well, that is just the zeroing out of that assistance to the States under Land, Water and Conservation Fund, and what is the rationale for doing that, but you have essentially said the $288 million represents in your view a significant enough resource to handle problems that might arise?

Secretary CLARK. The unappropriated balance of the Land and Water Conservation Fund approaches $3 billion now. Again, in looking at priorities, we have gone no farther than we have because after looking at necessity and reasonableness on the one hand and that big budget deficit on the other, it did not seem prudent to do so. There is a little misconception in which I shared early on, that the L&WCF is not a separate, independent pot of

money but rather it is within the budget and treated as any other similar fund.

Senator EVANS. As I understand it, you are proposing in the budget part of the legislative proposal to amend and expand the use of that fund for National Park Service facilities?

Secretary CLARK. Yes.

Senator EVANS. To what degree would that use up or be a competitor or perhaps even a sole user eventually of that fund?

Secretary CLARK. Senator, we consider L&WCF for not only the activity in the parks you mentioned, but perhaps for the acquisition and improvement of wetlands as well. I think that use would certainly fall within the spirit of the genesis of L&WCF, and it is something I would like to look at more closely this year.

Senator EVANS. There is one final question, Mr. Chairman. I commend the Department on the activities and the funding to bring national park facilities up to a much higher degree of repair. As I understand it, that has been focused, at least a good deal of it, on I guess what we would call the front country or the immediate access for the maximum number of tourists at those national parks.

What is the Department's intention in terms of corresponding upgrading of trails and facilities in the back country of the many wilderness national parks that we have?

Secretary CLARK. Well, Senator, Russ Dickenson feels that within the 330-plus park units, that first priority would be the upgrading and maintenance of those areas of heavy visitor use but not, however, to the exclusion of the back countries and trails. Hopefully, again under the heading of flexibility and priority, we will be concentrating more than we have in the back country because general upgrading of the parks has been a successful program. I would be pleased to furnish you with more details from Mr. Dickenson on actual proposals, particularly those in the State of Washington.

Senator EVANS. It would be very helpful. Thank you, Mr. Chairman.

[The information follows:]

THE SECRETARY OF THE INTERIOR
WASHINGTON

FEB 24 1984

Honorable Daniel J. Evans
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Senator Evans:

During the Senate Energy and Natural Resources Committee oversight hearing on February 7, you asked about the Department's intention regarding funding for back country trails and facilities in the national parks.

There are many projects proposed for the back country in the National Park Service multi-year Park Restoration and Improvement Program (PRIP). For example, in the State of Washington, a total of $2,316,400 has been or will be spent on back country related projects in three national parks: Mount Rainier, North Cascades, and Glacier. A summary of these projects is enclosed for your review.

I assure you that we will continue the process of restoration of our national parks, both in the back country as well as in the high visibility visitor use areas.

Sincerely,

William Clark

Enclosure

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE
WASHINGTON, D.C. 20240

February 9, 1984
330

SUMMARY OF BACK COUNTRY RELATED PROJECTS - WASHINGTON STATE

PARK RESTORATION AND IMPROVEMENT PROGRAM
($000)

	FY 1982	FY 1983	FY 1984	FY 1985	Total
Mount Rainier NP	110	103.5	229	110	552.5
North Cascades NP	19	203.2	229	8	459.2
Olympic NP	65	454.7	675	110	1,304.7
Total	194	761.4	1,133	228	2,316.4

Mount Rainier National Park

Fiscal 1982	Amount
Rehabilitate Back Country Trails	$110,000
Fiscal 1983	
Replace 30 Failing Trail Bridges	103,500
Fiscal 1984	
Rehabilitate 30 Miles of Back Country Trails	100,000
Rehabilitate Public Shelter at Camp Muir	6,000
Replace 15 Trail Bridges	40,000
Monitor Human Impact on High Elevation Ecosystems	52,000
Elk Management	31,000
Fiscal 1985	
Rehabilitate Radio System	110,000

North Cascades National Park

Fiscal 1982

Replace Puncheon on Copper Ridge	19,000

Fiscal 1983

Replace Puncheon, Thorn Lake Trail	27,600
Trail Tread Maintenance, Big Beaver	20,900
Trail Tread Maintenance, Whatcom Pass	64,600
Replace Lake Chelan Docks	90,100

Fiscal 1984

Trail Tread Maintenance, Whatcom Pass	65,000
Trail Tread Maintenance, Big Beaver	20,000
Trail Tread Maintenance, Cascade Pass	45,000
Maintain Pit Toilets	40,000
Rehabilitate Hiker Bridge and Ford, Stehekin	9,000
Water Quality Management Study	50,000

Fiscal 1985

Trail Bridge Structural Repair	8,000

Olympic National Park

Fiscal 1982

Replace Pit Toilets, Parkwide	65,000

Fiscal 1983

Replace Trail Puncheon	46,000
Study Mountain Goat Impact	36,300
Fisheries Program	372,400

Fiscal 1984

Replace 5 Patrol Cabins	46,000
Rehabilitate 22.5 Miles of Trails	120,000
Replace Hayes River Bridge	58,000
Mountain Goat Management	60,000
Fisheries Program	391,000

Fiscal 1985

Rehabilitate Radio System	110,000

The CHAIRMAN. Thank you.

Senator Ford.

Senator FORD. Thank you, Mr. Chairman. Mr. Secretary, let me follow up just briefly on a question that Senator Evans put to you earlier, and that is as to the authorization for the Research and Mineral Institutes which was created under title III of the Surface Mining Act. That expires, I believe, September 30, 1984, and it is my understanding we will have a hearing this Friday on the Senate bill.

Will the Department be represented at that hearing?

Secretary CLARK. Oh, I think so, Senator. We have so many hearings going on right now. I will check that when I get back, but I am confident we will be there.

Senator FORD. That's fine. I understand that, I think the philosophy up here is that we need that in helping our Institutes, and so I would encourage you to go ahead.

It was our understanding that you may have a little trouble on deciding who is to come up. If you make that judgment, then go ahead and let us know so we might get into it. It becomes very important to a variety of States.

Secretary CLARK. Yes.

Senator FORD. I want to limit my questions as others have done this morning to certain areas, and I want to talk about the Mine Reclamation Program and the Office of Surface Mining. I think this is an area that has turned around considerably. It has improved a great deal, and, I think, a large portion of that credit belongs to our chairman who has been very diligent, and it is in great part due to his work on the Interior Appropriations Subcommittee, and I compliment him on that. I think Dick Harris has done an exceptionally good job and hope that he continues at that pace.

Mr. Secretary, the Department has proposed a budget, I believe, of $263 million for nonmatching reclamation grants for the States. This represents an 11-percent increase over last year's level. If this total is appropriated through grants to the States, how much will remain to be allocated for the abandoned mine reclamation fund?

Secretary CLARK. Senator, I will have to check that and get back to you. I am sure we have that information available.

Our total budget under OSM is close to $360 million.

Senator FORD. If you don't have it there I will be glad for you to submit it in writing to me, Mr. Secretary. I understand how hard it is to keep all these figures available.

Secretary CLARK. At the end of 1985, Senator, we will have $359 million.

Senator FORD. That is the Secretary's share, isn't it?

Secretary CLARK. That is the total.

Senator FORD. Is that the total?

Secretary CLARK. Yes, Senator. That is the total for end of fiscal year 1985.

Senator FORD. All right, and 50 percent of that is allocated by you at your discretion?

Secretary CLARK. Yes, Senator.

Senator FORD. That is the Secretary's share?

Secretary CLARK. Well, to the extent that he has discretion to pass it on, yes.

Senator FORD. How much of that is left, your 50 percent of your discretionary fund, compared to the 50 percent that should go to the States?

Secretary CLARK. In that account now? We don't have that figure now, but I will supply it to you if I may, Senator.

Senator FORD. Compared to what is left to the States for their 50 percent, compared to the discretionary funds of the Secretary, and how that has been allocated, I would like to have. That's fine.

Secretary CLARK. All right.

Senator FORD. Last year, Mr. Secretary, your predecessor, Secretary Watt, made the point that Interior can only distribute grants for the States based on their capability and as they request the money.

How many States are eligible to receive mine reclamation funds?

In other words, how many States have their mining land reclamation plans approved?

Secretary CLARK. It is 23, I believe, Senator, as approved.

Senator FORD. As approved?

Secretary CLARK. Yes.

Senator FORD. How much money have States requested for the purpose of mining reclamation in this fiscal year?

Secretary CLARK. Again, I will have to go to my budgeteer.

Senator FORD. See if I can get that on the record.

Secretary CLARK. Again, we will have to supply that, Senator.

Senator FORD. Mr. Secretary, would you ask them, since they are going to have to supply that, if they could do that by States? I would appreciate that, if you would have that by States.

Secretary CLARK. That will be fine.

Senator FORD. Mr. Chairman, that's all I have.

Secretary CLARK. Thank you, Senator.

Senator FORD. I got through in a hurry—no problem.

[Additional information follows:]

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

COPY

IDENTICAL LETTER SENT TO SENATOR JOHN WARNER

March 20, 1984

COPY

Honorable Wendell H. Ford
Committee on Energy and
Natural Resources
United States Senate
Washington, D. C. 20510

Dear Senator Ford:

During the Senate Energy and Natural Resources Committee oversight hearing on February 7, you made several inquiries regarding the Abandoned Mine Reclamation Fund.

First, you asked as to the amount of the unappropriated balance in the Fund expressed in State and Federal shares, assuming that the Department's fiscal year 1985 budget request of $291.7 million is appropriated.

At the end of fiscal year 1983, the unappropriated Fund balance was approximately $496 million. Of this amount, $299 million was State share funds and $197 million was the Federal (Secretary's) share. The Office of Surface Mining (OSM) estimates that the unappropriated Fund balance at the end of fiscal year 1984 will be $432 million. Since many 1984 grant applications have not yet been received, and since OSM cannot determine the split between the State and Federal shares for individual States prior to reviewing the actual grant requests and making the awards, an accurate division of the 1984 unappropriated balance between State and Federal shares is not now available.

Assuming enactment of the fiscal year 1985 budget request of $292 million, the unappropriated balance will be approximately $359 million at the end of that fiscal year. This amount, however, cannot be reliably divided into "State" and "Federal" shares, principally because, as noted above, all 1984 awards have not been made, and the amount of State and Federal shares in forthcoming 1984 awards cannot be determined now.

In addition, you asked the number of States having approved reclamation programs and the total amount of the grants requested for mining reclamation by them. A list of the 23 States with approved plans is enclosed. The total 1985 reclamation

grant request from the States was approximately $309 million. Enclosed is a chart that displays the total requests by State. The chart also indicates the status of 1984 grant awards and shows cumulative grant totals through 1983.

If you need further information, please let me know.

Sincerely,

/s/ Bill Clark

William Clark

Enclosure

35-235 O - 84 - 3

QUESTION - If $263 million is appropriated in FY85, how much money will remain in the Fund (immediately following that appropriation) for further allocation?

A.M.L. FUND BALANCE

FY83 Closing Balance	$507,522,000	
FY84 Projected Receipts	$218,805,000	
FY84 Appropriation		$193,900,000
FY84 Projected Closing Balance	$532,427,000	
FY85 Requested Appropriation		$263,000,000
FY85 Projected Closing Balance1/	$269,427,000	

1/ Does not include FY 85 projected receipts as these are not credited to the Fund until end of FY 85 (after the total amount actually collected is known).

QUESTION - How much Secretarial-share money currently remains in the AML Fund compared to the State-share money in the Fund, and how has this money been allocated for future distribution among States?

AML FUND DISTRIBUTION

Total Fund Balance[1]	Secretarial-Share[2]	State-Share
$507,522,000	$201,422,000	$306,100,000
Alabama	$ 3,568,000	$ 5,200,000
Alaska	$ 151,000	$ 800,000
Arkansas	$ 371,000	$ 100,000
Colorado	$ 151,000	$ 6,100,000
Illinois	$ 6,470,000	$ 27,200,000
Indiana	$ 2,254,000	$ 9,100,000
Iowa	$ 1,779,000	$ 400,000
Kansas	$ 1,003,000	$ 500,000
Kentucky	$ 8,335,000	$ 51,000,000
Maryland	$ 383,000	$ 1,800,000
Missouri	$ 3,932,000	$ 1,300,000
Montana	$ 151,000	$ 14,000,000
New Mexico	$ 310,000	$ 3,600,000
North Dakota	$ 472,000	$ 2,600,000
Ohio	$ 19,284,000	$ 6,400,000
Oklahoma	$ 2,826,000	$ 1,300,000
Pennsylvania	$ 88,404,000	$ 28,600,000
Tennessee	$ 2,516,000	$ 4,800,000
Texas	$ 151,000	$ 7,300,000
Utah	$ 151,000	$ 3,700,000
Virginia	$ 1,726,000	$ 6,100,000
West Virginia	$ 11,569,000	$ 24,700,000
Wyoming	$ 3,664,000	$ 75,500,000

1/ Current through end of FY 83. This information is updated at the end of every fiscal year to reflect actual receipts for the fiscal year and grants awarded during the fiscal year just ended.

2/ Includes approximately $40,000,000 set aside for Federal expenses which, therefore, is not available for future allocation to States.

QUESTION - How much money for reclamation have States requested for FY 84?

FY 84 STATE GRANT REQUESTS

State	Preliminary Request 1/	Actual Request 2/	Grant Amount 3/
Alabama	Did not submit	402,032	35,375
Alaska	Did not submit	399,850	---
Arkansas	185,000	---	---
Colorado	1,651,000	---	---
Illinois	9,000,000	11,650,755	10,260,000
Indiana	3,767,500	7,421,414	7,001,800
Iowa	925,000	---	---
Kansas	800,000	229,466	229,466
Kentucky	80,242,000	37,344,291	2,000,000
Maryland	1,510,000	585,082	573,395
Missouri	21,127,300	22,044,036	14,880,000
Montana	3,946,000	1,003	---
New Mexico	4,014,000	---	---
North Dakota	3,000,000	3,412,083	2,016,903
Ohio	600,000	---	---
Oklahoma	1,605,000	446,223	---
Pennsylvania	17,205,000	43,860,333	1,712,958
Tennessee	1,454,800	2,150,382	2,150,382
Texas	630,000	267,743	---
Utah	Did not submit	---	---
Virginia	8,000,000	13,395,784	---
West Virginia	22,521,000	30,540,581	21,250,000
Wyoming	109,678,800	35,324,489	25,498,983
Total:	300,371,400		

1/ Submitted in FY 83 by States in conjunction with FY 84 budget development process.

2/ Amount actually requested in FY 84 through February 17, 1984 (NOTE: Some States have not yet submitted grant applications for FY 84).

3/ Amount actually awarded in FY 84 through February 17, 1984.

The CHAIRMAN. Senator Nickles.

Senator NICKLES. Thank you, Mr. Chairman. Mr. Secretary, I want to compliment you for the work that you have done. I think you have done an admirable job.

I was looking at total figures, and I compliment you. I see that the total request that you are requesting for 1985 is a $100 million less than 1984?

Secretary CLARK. Yes, Senator, that is correct.

Senator NICKLES. I think that is a move in the right direction. I wish that we would see that from all of our Secretaries.

Also when I was reading some of the reports I noticed one that was under Bureau of Reclamation. It said that a supplemental request would be coming up for a couple hundred million in addition, so, are there other supplements that I haven't gone through that if we added all those together, we would see a greater spending?

Secretary CLARK. No. I am not aware of any suggested supplemental. That does not appear here.

Senator NICKLES. Are there any other besides the Bureau? I haven't read it as extensively as I have the Bureau's portion.

Secretary CLARK. On the other side of the ledger, there will be some slight reprograming and reductions in the area of parks. We have, I think, a total of $101 million in the fiscal year 1984 supplemental.

Senator NICKLES. Say again?

Secretary CLARK. I think that the requested supplemental for fiscal year 1984 should be $101 million. I am looking at page 114 of the summary budget. That would be throughout the Department.

I am not sure which reclamation figure we are looking at. There is some $37 million from reclamation rather than $200 million but that can come out of existing funds, I believe.

Senator NICKLES. So, the only additional major supplemental that we would be talking about would possibly be the fire suppression which needs to be done in a supplemental manner, but I did notice $226 million for supplemental for three new projects, is that not correct?

Secretary CLARK. That is in existing funds.

Senator NICKLES. It will all be done out of existing?

Secretary CLARK. Yes. On page 113, Senator, you will note the Bureau of Reclamation, about halfway down the page, it is goose egg.

Senator NICKLES. Do you have funds in the budget that you supplied for Santa Marguerita, Headgate, and Buffalo? Is that $226 already included?

Secretary CLARK. That $226 is in thousands, and that is for pay increases. You are looking at page 114?

Senator NICKLES. No. No. I have a staff memo that said that the Department would be submitting a supplemental with $226 million to begin Santa Marguerita, Headgate, and Buffalo Bill.

Secretary CLARK. I don't think that is accurate, Senator.

Senator NICKLES. OK.

The CHAIRMAN. I think it would be correct to say that is the total cost of those projects and not the 1984 cost.

Senator NICKLES. I am not sure that's right. I think Santa Marguerita is a couple hundred million dollars by itself.

Secretary CLARK. Yes, and that is primarily defense money, all of which is coming from Secretary Weinberger this year.

Senator NICKLES. It comes from DOD, doesn't it? No? Would it be reimbursed by DOD and the up-front money and construction be done by the Bureau?

Secretary CLARK. Yes; by the Fallbrook Irrigation District; it is all part of our new approach to cost sharing.

Senator NICKLES. I will swing around and get back on the Bureau. I noticed that $1.3 billion less in revenues is anticipated for OCS.

Secretary CLARK. $1.3 billion sounds high. There have been some last-minute adjustments. You mentioned our reduction of a $100 million from last year to this. I thought it was going to be a little over $200 million, but for some last-minute changes in projections by OMB from OCS——

Senator NICKLES. Well, let me just—here again, I am looking at a memo. Can you give me what the revenues from OCS was or anticipated, I guess, for 1984 and what they are anticipated to be in 1985?

Secretary CLARK. Yes. We have those—page 111, Senator, the 1984 estimate is $8.7 billion; the fiscal year 1985, $7.4 billion.

Senator NICKLES. OK, so that is a decrease of $1.3 billion. I was trying to find out possibly the reason why you thought that there would be $1.3 billion between 1984 and 1985?

Secretary CLARK. Well, this is somewhat of a mystery process between OMB and our people based on a projection of sales, and the budget offficals will have to go into that for you. We can do it now. I am sure Bill Bettenberg can answer that.

Senator NICKLES. I would appreciate knowing because it means we are going to be selling less oil. I don't think the royalties are going to be decreasing on a percentage basis, so I think basically you are saying less production on OCS. That concerns me from more than just the revenue standpoint. I am concerned about the loss of revenue, but even more important, I think the loss of OCS production could be detrimental in our international energy posture.

Secretary CLARK. I share your concern. I will make a comment on sale No. 73 which I think will give you and idea of some of the problems on the ground as we see it. Let me ask Bill Bettenberg to explain.

Mr. BETTENBERG. Senator, the royalties are anticipated to stay roughly even between the 2 years, and that implies that production will be roughly comparable between 1984 and 1985.

The difference is that less than half of the estimate consists of royalties. The larger share of the estimate is estimated bonuses on individual sales that will be held.

As we go through the sales process and hold repeat sales in individual areas, you expect the companies to be bidding in deeper water, less impressive prospects and so forth. Therefore, the amount of the estimates that we project is going down over time, and that is reflected in the $1.3 billion reduction between the 2 years.

Senator NICKLES. It's primarily not in royalties. Royalties would be level, but the differences will be in the up-front money?

Mr. BETTENBERG. That's right. Our estimate for royalties for this year is $3.5 billion and for next year it is $3.3 billion. Those are roughly comparable.

Senator NICKLES. And the rest of it is the bonus?

Mr. BETTENBERG. It is bonuses at the time of the sale. Now we have projected that on the sale-by-sale basis, but basically, as we have repeat sales in the Gulf of Mexico, which is still big money in the program, the bonuses will continue to decline in our projections because of the fact that we have offered the area, for instance, once on an area-wide basis. Companies have been going into the prime acreage. This year we will be offering them again, so, in effect, it is a resale of the same acreage. Next year in 1985 again it is a resale of that same acreage, so we are going through the same acreage for the third time.

Senator NICKLES. It is not a reflection that there will be a reduction in the acres for lease or the amount of property that will be available for bonus bids?

Mr. BETTENBERG. Well, as more is acquired through lease, the total available for lease declines, but basically the same area is being forecast here as far as these estimates are concerned.

Senator NICKLES. Mr. Secretary, did you have something you wanted to add about a particular lease?

Secretary CLARK. On this last point, Senator, the areawide concept, of course we have not abandoned it, but as we implement the new processes—described earlier—of getting industry to tell us more frankly up front what their real interests are plus earlier consultation, we simply haven't projected whether that is going to result in less or more total acreage leased in the final analysis. As Bill says, we gain more and more information each time we review a given area and make a given offer, so these estimates should become sharper. There is still concern given the latest sale, No. 73, over just what that will produce in spite of the Supreme Court's favorable opinion on the sensibility of upholding that sale.

We understand that those on the California Coastal Commission, in spite of I think a very clear opinion from the High Court plus our offering voluntarily to consult earlier and more frequently with them, have said that they—particularly the executive director of that organization—are going to do what they can to frustrate and otherwise stop production out there. Needless to say, this does chill an industry that to go forward must invest literally billions of dollars. So even with lease in hand, that chill factor is of concern to the industry and to those of us who have the duty to implement the 1978 OCS Lands Act.

Senator NICKLES. I appreciate your comments, and also I appreciate the obstacles that are there, but I would echo what Senator Johnston said. I think we do need to have some commonsense approach to development of our natural resources.

We do have some serious problems internationally. We are still very dependent upon imported oil, and Americans everywhere should be aware of that fact and the Free World should be aware of that fact, so we see some of the crisis developing in the Middle East, et cetera, and I think from your position, also the Secretary of Energy, both of you have the information that is available, that I think maybe by working with Members of Congress and others

maybe can dispel some inaccuracies that are many times thrown about so decisions can be made from a very levelheaded approach and we don't find ourselves in a very precarious energy situation.

A couple of other quick questions—there were some changes being made under the BIA concerning consolidation, also concerning schools. I read this briefly. I think the paragraph that was in the budget said that education funding levels would be basically the same or on a level approach. There were some schools that were closed, some BIA Indian schools, grade schools.

Do you see that continuing, the consolidation continuing? And by consolidation I am talking about the BIA area offices.

Secretary CLARK. Yes, Senator. I believe the proposal in education is for consolidation; and in the case of Utah, there will be a closure which has been submitted for congressional consultation. I think the entire delegation of Utah is agreeable to the closure of this rather large boarding school. I believe this is an example of where, after touching all bases, we have decided that there are better alternatives.

I am very concerned about this area of educational opportunities for Indians. I was surprised to learn that there has never been published any educational standards for these schools. We are working on that now. Proposals have been made and will be going to OMB for review some time in the next week or 10 days. We have some concerns in this area and would like to work with you in resolving them.

Senator NICKLES. I look forward to working with you on it and I can tell you that Senator McClure and myself and others have had an interest in this area, and many of us are very concerned about improving the quality of education. Not always is that done through BIA schools, and so anyway we will look forward to working with you, and I think possibly some improvements can be made.

What about on BIA consolidation? There was several area offices that were being consolidated? Is that a continuing process?

Secretary CLARK. Yes; for greater efficiency and economy. This is a process that began many months ago. We have deferred, however, any conclusion until we have spoken to more of you—particularly on Navajo issues—to be sure we are in agreement on the necessity for the proposal. I intend to meet with Senator Goldwater tomorrow on this same issue.

Senator NICKLES. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Metzenbaum.

Senator METZENBAUM. Mr. Secretary, in January 1982, Assistant Secretary Carruthers said in a letter to Congressman Udall that—

> The long-range effect of correcting dam safety problems without cost sharing or reimbursement is to make all replacement of existing investment free to its users and beneficiaries and places the total cost on the general taxpayer.

In May 1982, Secretary Carruthers said in the letter to our Chairman that "This administration strongly supports enactment of a dam safety bill and at the same time believes that cost sharing is an essential part of such legislation."

Finally, in March 1983, Commissioner Broadbent testified before this Committee that the Administration does ". . . not believe that safety costs per se should be exempted from reimbursement or cost sharing."

Now hardly an hour goes by but what I hear the President of the United States telling us that Congress is not doing the job as far as balancing the budget is concerned, and yet we don't have to be a graduate in mathematics to realize that the change of position on the part of the administration is going to be extremely costly with respect to the income side of this whole issue.

How can you justify that policy change under the circumstances?

Secretary CLARK. Well, Senator, I would prefer to characterize the most recent statement by the President as a clarification on dam safety rather than a change in policy, and if I might explain that, we view the question of dam safety much as we do bridge safety or highway safety.

The spectrum of beneficiaries under consideration of public safety is very broad and it is, therefore, very difficult to establish. We believe as I think we all do, in cost sharing and will go forward with that concept as far as we can. The Bureau of Reclamation has believed in cost sharing since its creation in 1902. We find that under the bureau there are some 330 existing dams, 52 of which are in need of purely safety repair. This repair would produce no increase in economic use, and the President has stated that such repair should be paid for by all the people.

We own the dams. Therefore, as we learned in at least one disaster, we have a responsibility to keep them safe. However, the President has likewise determined that if an economic benefit is created by that repair—a dam is elevated or a storage basin is increased and a benefit accrues to the consumers—then that benefit will be paid for on a rated basis by adding to existing contracts or up front charges. But pure safety, we feel, is a broad-based concern and therefore should be a cost for all the people.

Senator METZENBAUM. Well, if this is just a clarification, does the administration still support the amendment which was recommended to the committee and for which you, your Department, testified at an earlier point?

Secretary CLARK. Well, there have been many amendments to several dam safety bills, Senator.

Senator METZENBAUM. No, no. This is the one on cost sharing. This is the one on cost sharing. There is only one that I know of that the administration supported.

Secretary CLARK. Well, that was before my time.

Senator METZENBAUM. Commissioner Broadbent brought it up. He recommended specific language, and my question is does the administration still stand behind this Congress adopting the legislation with that language in it?

Secretary CLARK. I would have to review the language, Senator. I would be pleased to do so and get back to you, but I think the shorthand answer to the question is if it is consistent with the overall promise of pure safety being paid by the Government and economic benefit paid by those who receive it, then we would be in support of whatever that amendment might say.

Senator METZENBAUM. Then explain to me because I am not very smart in these things if the President was not changing his position and the administration wasn't making a radical departure from its position, why did the President see fit to deliver a letter to his campaign chairman for the purpose of having the campaign chairman then deliver—who is one of our distinguished colleagues I might say—having the chairman then deliver it to the Western Governors?

If that was only for clarification which you just gloss over, why need he go to the trouble of giving it to his campaign chairman?

The CHAIRMAN. Would the Senator yield on that question? I think it would be fair to note for the record that Senator Laxalt was one of several Senators who signed a letter requesting clarification of the policy, and I think it would be normal under those circumstances that the administration would respond to the man who wrote the letter.

Senator METZENBAUM. Who wrote the letter?

The CHAIRMAN. Senator Laxalt.

Senator METZENBAUM. I have no fault to find with Senator Laxalt. What I am asking is if it is only clarification, was it a change of policy or was it not? Do you want the people who use the dams to continue to pay a share, a proportionate share as was testified to by Mr. Broadbent and by Mr. Carruthers?

Secretary CLARK. Senator, Senator Laxalt and 16 other Senators on April 27 of last year sent President Reagan a three- or four-page letter with a series of questions concerning cost sharing. Dam safety was only one element of their concerns.

That letter was followed by a letter from some 20 Western Governors asking for clarification of the administration's policy in three areas—one, preplanning; second, construction; third, dam safety. The President obviously did not answer those letters immediately. He gave them to his Cabinet Council on Natural Resources to study and make recommendations in those three areas. After three meetings of the Cabinet Council starting last June, responses to those many questions were formulated, and effectively the President answered his mail.

[The letter from President Reagan follows:]

THE WHITE HOUSE

WASHINGTON

January 24, 1984

Dear Paul:

Some time ago, you and 14 of your colleagues wrote to me expressing your concerns regarding water project development. I appreciated receiving this valuable counsel which has helped crystalize the extensive discussions within the Administration on this vital subject.

We all agree on the goals. These goals are to revitalize the magnificent water development programs launched early in our Nation's history. The Federal-State partnership has succeeded even beyond the dreams of those who developed the concept so many decades ago. This partnership has helped create abundant year-round water, electric and food supplies; reduced flooding, and provided low-cost inland, coastal and oceanic waterborne transportation. In addition, millions of Americans have enjoyed vast new opportunities for water-related recreation.

Providing enough high quality water promptly to those who need it is a task that has confronted Americans since the earliest days of our national experience. In the first summer at Plymouth, the Pilgrims experienced a summer drought that nearly ruined their crops. More than 350 years later, Americans had to contend with flooding on the Mississippi and the Colorado, and drought throughout most of the rest of the Nation. The lesson of these events is clear. Providing enough high quality water where and when it is needed is a never-ending process.

This Administration is committed to working with the States, local entities and those private sector interests concerned with water development all across America. We are rebuilding the Federal-State partnership so that we can resume water development efforts to avert water crises in the coming decades. We have accomplished the following:

- Re-established the policy of State primacy in water rights resulting in less interference from the Federal government in water resources management.

  -- Reinforced State primacy by the repeal of a Federal non-reserved water rights opinion.

  -- Established and successfully implemented a process for negotiated settlements of Indian water rights disputes.

  -- Offered States the option of having Federal reserved water rights within their boundaries expeditiously inventoried and quantified to enhance their management capability.

- Implemented the Reclamation Reform Act of 1982 to recognize advances in agricultural technology and the market economy based on the family farm, giving these farmers an opportunity to build commercial operations without unrealistic limitations on their access to land and irrigation water.

- Established new Principles and Guidelines for water project planning to remove cumbersome regulations and promote flexibility in planning, thereby encouraging water resources development.

- Elevated water resources decisionmaking to the level of the Cabinet Council on Natural Resources and the Environment, whose Chairman Pro Tempore is the Secretary of the Interior.

- Presented to Congress new project construction proposals incorporating increased non-Federal financing based on the tangible economic returns produced by the projects.

All of these actions have helped to rebuild and strengthen the foundations of the Federal-State partnership so we can move forward to develop much needed, environmentally sound and economically prudent water resources projects. We have made numerous studies and conducted extensive discussions within the Administration in quest of ways that the Administration, the Congress, the States, and the American people can develop true partnership arrangements that recognize the realities of today's economics and tomorrow's environment. We are gratified that Congress is now addressing the key issues related to water project cost sharing and financing.

Water development needs, geography, climate, economy, fiscal capacity, and Federal interests all vary from State to State, and from region to region. Furthermore, the Federal government has made prior commitments to individual States with regard to water development within their borders. During the past months, I have fully considered the views expressed by you, your colleagues, the Cabinet Council on Natural Resources and the Environment, and many of the Governors regarding how the Federal government might participate in water project development and project financing under these conditions. Traditionally, many Federal water project beneficiaries have repaid the construction costs of their projects, but we all agree new partnership arrangements will be necessary to finance any additional projects in the future.

It is time to conclude the discussion and to establish a national water project financing policy so that we can get on with the job of completing projects where commitments already have been made and undertaking new construction starts to meet the country's future needs.

Indeed, the construction of storage reservoirs has not kept pace with the increasing demand for water. As a result, our water supply is less reliable and more vulnerable to drought than it was a decade ago. We must develop even better ways to work together effectively. We will have to make the best use of the water we have if we are to avoid serious future problems. I am convinced that by working with State and local governments we can solve the problems of flood, drought, and quality.

4

The water project financing and cost-sharing policy of this Administration is:

- All Federal water development agencies will continue to seek out new partnership arrangements with the States and other non-Federal interests in the financing and cost sharing of all proposed projects. Each such agency will negotiate reasonable financing arrangements for every project within its respective area of responsibility.

- Prior commitments to individual States with regard to water development within their borders must be considered and shall be a factor in negotiations leading up to project construction.

- Consistency in cost sharing for individual project purposes, with attendant equity, will be sought.

- Project beneficiaries, not necessarily governmental entities, should ultimately bear a substantial part of the cost of all project development.

- Safety problems at Federal dams should be corrected as expeditiously as possible. The cost of safety work should be borne by the Federal government. However, if additional economic benefit results from the modification, appropriate cost sharing among the beneficiaries shall be allocated by the appropriate Secretary. Criteria to determine dam safety designation shall be developed by an interagency technical team in consultation with non-Federal parties.

- The costs incurred by the Federal government in project planning generally will be shared with project sponsors. Specific arrangements will differ among agencies because of their differing planning, authorizing, and funding procedures.

- Once financing, cost sharing, and cost recovery arrangements have been agreed to, they will be reviewed by the Office of Management and Budget and submitted to the Congress for ultimate disposition.

This process will result in arrangements that are workable, fair, just, and practical. It will put into place the final building blocks in an improved program to meet America's current and impending water needs while recognizing Federal budgetary realities.

I sincerely appreciate your cooperation on this subject. Working together, we can move ahead into a new era of water project development for the benefit of the Nation and all Americans.

Sincerely,

Ron

The Honorable Paul Laxalt
United States Senate
Washington, D.C. 20510

Senator METZENBAUM. I will come back to that. I want to get to the language of Mr. Broadbent, to ask you whether or not you do or do not support that when we consider this legislation?

The Department has submitted legislation to repeal the so-called hammer clause, provision of the reclamation reformat which requires reclamation farmers either to come under the law by April, 1987 or pay the full cost of reclamation water supply to leased lands in excess of 160 acres.

Given the deficits that we face, don't you think it would be more responsible for you to figure out ways to endorse the law rather than coming in to urge Congress to repeal it?

Secretary CLARK. All right. Senator, again if I may use a little background on this, some of which precedes my time. In fact, most of it does, and some precedes your time.

In 1902, the date of the Reclamation Act, the concept then was cost sharing and return of dollars to the Federal Government. In the ensuing period of time Reclamation has received some 80 percent of all moneys it has ever spent, including in irrigation or agricultural areas.

The 160 acre provision, of course, in time resulted in what many felt to be inequities in that it appeared to assist the corporate grower more than the family farmer it was originally intended to help.

In the Reclamation Reform Act, certain adjustments were made. As I understand it, again preceding my involvement, the Department of the Interior was not represented in conference sessions at which the so-called hammer clause was discussed.

Senator METZENBAUM. I'm sorry. I didn't hear your last part.

Secretary CLARK. I was just waiting for the gentleman.

Senator METZENBAUM. Thank you. I appreciate that.

Secretary CLARK. Going back to the conference committee, as I understand, the Department of the Interior was not represented in discussion of the so-called hammer clause, section 203(b).

Later on when the effect of regulations implementing the clause was being explained to farmers, particularly those on the eastern side of the San Joaquin Valley in California, it was realized that the hammer would hit the wrong people; namely, the small farmer. We have statistics to show that the clause disproportionately involved existing contracts of the small farmers. A very basic tenet of our American jurisdiction is the sanctity of contracts. These people were irrigating their lands under existing contracts which would be affected. We feel in fairness that there should be a modification of the Reform Act to allow existing contracts to run their course before these farmers are asked to submit to the new rules.

I think it is a rather basic proposition and we would hope that it would be looked at in that light when the repeal is considered.

Senator METZENBAUM. Isn't this matter, Mr. Chairman, one that you and I effected a compromise on, and if they were to go forward with repeal that would vitiate the effect of the compromise that you and I had worked out? Am I right about that?

The CHAIRMAN. The Senator is correct that this is in the area in which compromise was effected, and the repealer would affect that compromise. It is in the same area. I am sure we will have the opportunity to discuss that further.

Senator METZENBAUM. I thank the Chairman. The amendment provides—that is, the one supported by Mr. Broadbent, "costs hereafter incurred in the performance of safety of dams' work under this act," that doesn't read quite right to me but that's what it says, "* * * shall be allocated a portion of total benefits to current functions served by the dam project, unit or division, as determined by the Secretary at the time of completion of the work undertaken pursuant to this act."

It then goes on to spell that out. Would you continue to support that amendment?

Secretary CLARK. I don't want to say yes to the whole amendment, Senator. What you have read thus far, Senator, seems to be consistent with our views. If there are economic benefits, then the beneficiaries of those benefits should be charged. The question of a dam breaking and the house of one of those beneficiaries being swept away because he happened to live on the wrong side of the dam, should be resolved by apportionment under the concept of cost sharing. But if a construction or improvement is undertaken purely for reasons, safety reasons, then the owner of the dam, namely, the Federal Government, should pay for it.

Now to follow that up, I might add that Bill Gianelli and I are forming a small working group to consider in consultation, of course, what is pure safety and what is economic benefit. I would want to see analysis and processing on the proposed amendment before indicating the administration's position on the material you have just read, but the concept does not seem inconsistent with what you have read.

Senator METZENBAUM. So you would think at this point at least in the face of what I read that the Administration would continue to support the amendment?

Secretary CLARK. Well, I would like to reserve that question. But we will be back to you very shortly with an answer, after I have had a little time.

Senator METZENBAUM. If you don't, would you be good enough to advise me promptly by letter?

Secretary CLARK. I shall.

[The information follows:]

THE SECRETARY OF THE INTERIOR
WASHINGTON

MAR - 2 1984

Honorable Howard M. Metzenbaum
United States Senate
Washington, D.C. 20510

Dear Senator Metzenbaum:

During the recent oversight hearings of the Senate Energy and Natural Resources Committee, I indicated to you that I would clarify the Administration's position on the amendments offered by Commissioner Robert Broadbent to S. 672 and S. 739 on March 24, 1983.

As you know, President Reagan recently enunciated his policy regarding the correction of safety problems at Federal dams. In his January 24 letter to Senator Paul Laxalt, the President said:

> Safety problems at Federal dams should be corrected as expeditiously as possible. The cost of safety work should be borne by the Federal Government. However, if additional economic benefit results from the modification, appropriate cost-sharing among the beneficiaries shall be allocated by the appropriate Secretary. Criteria to determine dam safety designation shall be developed by an interagency technical team in consultation with non-Federal parties.

This statement represents the definitive position of the Administration on the subject of financing dam safety problems at Federal dams. To the extent that this position may differ from Mr. Broadbent's March 1983 testimony, the above position is controlling.

The proposed Department of the Interior amendments to S. 739, therefore, do not represent the Administration's position on this subject and are withdrawn.

Thank you for the opportunity to respond to this inquiry.

Sincerely,

William Clark

Senator METZENBAUM. Thank you. Now when you were up here for confirmation I asked you about the Youth Conservation Corps, and you indicated it sounded like a good concept.

Do you support the Youth Conservation Corps legislation that has been passed by the House?

Secretary CLARK. My answer, I believe, would be the same, Senator. The concept is a very good one. We had something similar in California when the President was Governor. But looking at priorities and the deficit, plus a clear rise in employment, we may question the necessity of that expenditure this year.

Senator METZENBAUM. Well, you talk about that expenditure and you talk about you only use it for youth that are in need.

Fifty percent of the black youth of this country are unemployed. About 20 percent of the young people of this country are unemployed. They will be an economic cost to this Nation in the future that is far beyond the cost of any Youth Conservation Corps. My recollection, when you talk about $300 million to try to save young people of this country, and then compare that to the impact that your support of the revision of the dam safety legislation, the administration support of repeal of the hammer clause, and the unbelievable support by this administration—not support, determination by this administration, by the President, to eliminate any interest charges on timber companies who are in default of their contracts costing $500 million a year, and then you tell me that you have to revise your thinking perhaps on the Youth Conservation Corps because it might cost $300 million?

It comes back to the point you made a minute ago. We believe in the sanctity of contracts. If the sanctity of the contracts is good on Monday, then it is equally good on Tuesday, and the timber companies have a contract, and your President with whom you are closely associated just with one fell swoop gave away about $500 million a year.

Now reconcile that for me. How do you explain it?

Secretary CLARK. In regard to the timber contracts to which you refer, Senator, as you know, this was worked out with the congressional delegation from, primarily, Oregon. I don't think anyone was excused from performance of those contracts but rather performance was deferred in the interest of saving jobs and a lot of small companies that would have otherwise gone under in a market for which there was no demand. I don't think anyone has been excused from ultimate performance.

Senator METZENBAUM. No, but the interest has been waived. That is $500 million a year. Now how? Why? You have some of the biggest companies in America. Even Forbes magazine had a big spread on it today or this past week indicating that they have difficulty in comprehending it, and when you say it was worked out with the congressional delegation, let me point out to you that the senior Senator from Oregon was a cosponsor with me of a legislative proposal to resolve the matter, and we didn't get a darned bit of help out of the administration in connection with that amendment, and we were knocked out on a technicality. Had the administration been with us that would not have occurred.

What I am saying to you is how do you reconcile that contradiction in terms of $300 million for youth, well, we are not sure, we

have got to watch the budget, and a $500 million give-away to timber companies, more on the dam safety, more on the hammer clause, reclamation reform issue? How do you reconcile that?

Secretary CLARK. There are many issues, Senator, and we have to take them case by case. That is the way we see the conservation idea at the moment. We will certainly continue to communicate on it.

Senator METZENBAUM. Mr. Secretary, you know when you came up for confirmation I think many of us felt that you were sort of dancing around some of the issues and you had a right to do so. You were new, and we couldn't really pin you down, but I don't think that—you know, I have asked you several questions today and many you said we have got to take a look at it, you want to consider it.

I just think, Mr. Secretary, that we have a right to know whether you are for something or against it if it falls within your jurisdiction, and I think that you are not being as forthcoming as to where the administration stands on some of these issues as I think we have a right to expect with the Secretary of the Interior, and that is not to charge you with any bad faith or impropriety, but I am just saying to you that I think that we ought to get some yes' or no's on some of these issues.

Secretary CLARK. Maybe we better revisit the issues then, Senator, because I felt that you received our position. Mr. Chairman, if we could go back and cover them—first, dam safety.

Senator METZENBAUM. You support Broadbent, support what Broadbent supported when he was here?

Secretary CLARK. Senator, I have told you I have not seen the testimony or the letter you referred to. I don't even know which year it was sent out.

Senator METZENBAUM. March 1983.

Secretary CLARK. But I have given you the administration's position on dam safety as it exists today.

Senator METZENBAUM. I am asking do you support the amendment? Because there was an amendment that came out of Broadbent as Commissioner, and is he still with the Department? He is still with the Department.

The question is, Is there a change of position?

Secretary CLARK. Will you allow me to look at the communication you have from Mr. Broadbent? He is no longer Commissioner of Reclamation. As I pointed out earlier, in the realignment he has been elevated to Assistant Secretary designate. I doubt very much there is anything that he has stated in the 3 years he has been a part of the administration that is inconsistent with what our policy is today on dam safety.

Senator METZENBAUM. On the Youth Conservation Corps, I asked you at the time of the hearing, your confirmation, you said you support the concept. I have asked you today whether you support the Youth Conservation Corps legislation as passed by the House or any modification thereof.

Secretary CLARK. As I understand it, the administration supports the concept but neither the details thereof nor the expenditure, Senator.

Senator METZENBAUM. Does that mean that you will come forth with some proposed amendments that would provide, indicate in what manner you would support it?

Secretary CLARK. I would be willing to consider that now that you are back in session.

Senator METZENBAUM. My time is up.

The CHAIRMAN. Thank you.

Senator Warner.

Senator WARNER. Thank you, Mr. Chairman. Mr. Secretary, we welcome you, and I very much want to associate myself with the remarks made by others this morning with respect to the confidence and trust that we repose in you and the pleasure we have obtained through witnesses that you have lived up to our expectations in your policy standards, your administration, and particularly through the most recent appointees.

Turning to questions, my State is looking at the possibility of expanding the wilderness areas. Could you clarify what your Department's policy will be, and presumably that of the administration, regarding the wilderness study areas as well as the existing study areas?

Secretary CLARK. Senator, since we met here last November we have accelerated that process. Mr. Carruthers, assistant secretary for Land and Minerals Management, will be briefing on the latest status of our wilderness studies and on two packages which are on their way now to OMB as well as to EPA before moving on to the President for designation of the areas.

Senator WARNER. Will they deal with the minerals exploration aspect?

Secretary CLARK. I think minerals exploration aspects are rather clear. Again, in the intervening time since the confirmation hearing one thing has occurred that has, I think, pleased all parties interested in wilderness areas and their minerals potential.

The Department, specifically through the USGS, has completed and issued a most revealing report showing the potential or, as some would say, lack of potential, of mineral wealth in wilderness areas. There are no plans at the moment to, or I should say even the next moment, to in any way exploit the minerals, including oil and gas, on any wildlife refuge area or on any wilderness or wilderness study area.

Senator WARNER. Both as wilderness and wilderness study?

Secretary CLARK. That is correct.

Senator WARNER. I understand that the administration intends to forward legislation to Congress seeking authorization to sell surplus or excess national defense stockpile materials such as silver, tin, tungsten, and recognizing the depressed commodities market for several of these, do you believe that such disposal would be wise at this particular time?

Secretary CLARK. As with the disposition or conveying of any other Government property, I think we have to take it case by case, recognizing at the moment that for some 24 of our most critical and strategic materials we must look to places beyond our own shores for in excess of 50 percent of those items. I don't think there is going to be any rush to dispose of stockpiles.

Additionally, we are forming a task force to review our strategic and critical materials on an interagency basis, Senator. I think both acquisitions and dispositions will be at issue.

Senator WARNER. Senator Ford gave you a question about the abandoned mine land program. Of course, I am quite interested. We mine a considerable amount of coal in our State, and as Senator Ford expressed, I have a concern about the distribution of funds from this program, the timeliness of the distribution as well as the amount of the distribution.

As I understand it, you have given Senator Ford and the committee assurances that you will look into this and see what you can do to expedite the distribution of those funds and perhaps an increase. Is that a correct statement?

Secretary CLARK. Yes. Senator Ford asked for somewhat of an inventory among the 23 States that will be receiving these funds—amounts received, amounts proposed. I will also send to him a list of the States with approved plans, Senator. I will give you a copy of that same list if I may?

Senator WARNER. I would appreciate that, and you can be assured that this committee in the subcommittee structure will monitor the program very closely.

Another program dealing with mining minerals, of course, is the Research Institute program. Again the administration has elected to zero out that funding.

Last year Congress appropriated $9.3 million for this program, and I have this year introduced S. 2186 which will try to reconstitute that program once again. We now have 28 cosponsors, including many members of this committee. I wish as a courtesy to alert you that there is strong support for the Mining and Mineral Research Institutes here in the Congress, and we intend to pursue this reauthorization.

Secretary CLARK. Fine. In that regard, Senator, the zero in our proposal should not raise inferences of as any lack of interest in these institutes. We are in constant communication with them. We keep them up to date on all issues developed in USGS, in the Bureau of Mines, and within the entire scientific area.

Certainly they are of assistance to us on some of their research grants. But as a matter of principle we feel that what began as necessary seed money—not only for the Mineral Institutes but also for some of the Water Institutes—has turned into what I think some fairly call a subsidy. We feel these moneys have frequently gone to administrative costs which should be borne by those closest to that function. I realize we are not talking about gigantic amounts of dollars on the one hand. On the other hand, we feel the principle of providing seed but not subsidies makes sense.

I realize there is an ongoing congressional intent with which we must deal. In the preceding 2 years we have proposed zero funding of direct grants, feeling we can do more by indirection. But if it is Congress' intent to fund the institutes, we obviously will accept that.

Senator WARNER. In order for us to proceed in an intelligent manner, would you kindly provide us with the name of the witness who you wish to represent your Department? We are anxious to re-

ceive that name because the hearing will perhaps be in a matter of days.

Secretary CLARK. We shall do that.

Senator WARNER. Thank you. Mr. Secretary, can you elaborate on your $6 million request for a new lake liming research demonstration program, the purpose of which is to restore the solidified lakes and their sport fisheries?

What do you hope to accomplish with this $6 million and how does this effort relate to the research on acid rain?

Secretary CLARK. Fine. The lake liming principle, I think, has been proven in smaller northern lakes and, working with EPA, it was felt that this could now be justified.

It is beyond the study or research area. We feel there is now justification for this action in the interest of reducing acidity in these waters.

A little earlier on I pointed out that liming is part of a USGS study which I commend to the committee. The study was released 3 or 4 weeks ago. It shows that maybe we know less than that we thought on the overall acid rain question, and that through greater research and education the American people can be given a lot more to work with. Certainly when the American people have the real facts they usually do the correct thing. That is our general view on the acid rain question.

We have had three Cabinet Council meetings the past several months, on this prime issue. It was the No. 1 agenda item, and we feel the $6 million proposed program is a step in the action area as contrasted to the purely study area.

Senator WARNER. Thank you, Mr. Secretary. I wish you luck in this area.

Secretary CLARK. Thank you.

Senator WARNER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Warner.

Senator Bumpers

Senator BUMPERS. Mr. Secretary, have you had a chance to see the Linowes report?

Secretary CLARK. Senator, I have not. I was asked to review some tentative positions the Linowes Commission had reached a number of weeks ago and I, relying a little on my judicial experience, said no. The jury is out. We will wait until they have reached their final positions.

Only until it has been printed and can be shared concurrently with the Congress and other interested parties will we review or comment on it.

Senator BUMPERS. The chairman has generously given the Linowes Commission until this coming Friday to submit its report, and I have discussed informally with him calling a hearing after we have had a chance to look over the report. To call the Commissioners in and let them present it and give us their views and the basis for some of their findings and recommendations. As you know, under the amendment that I got adopted last year which placed the moratorium on coal leasing the Congress has 90 days in which to act on the report before leasing can start again?

I know you will be following that. I would hope that the chairman will also consider, after the Linowes Commission report has been circulated and everybody has had a chance to study it, asking

you or your designee to come before the committee and give us your thoughts about it. That would help us in determining what if any action we wanted to take during that 90 day interim period.

Secretary CLARK. Yes, Senator. We have been allotted 30 days in which to react, and I have a small task force standing by right now so that we can move right into that study. We are most interested in conclusions and recommendations and we would be pleased to come up to the committee on either a formal or informal basis to compare notes.

The CHAIRMAN. Would the Senator yield for a moment. I think you said that we expect the report on Friday?

I am not sure that it is this Friday or a week from Friday that we expect it.

Secretary CLARK. I believe it is the 16th, Mr. Chairman.

Senator BUMPERS. I stand corrected. It will be a week from this Friday. Thank you.

The CHAIRMAN. I want it understood that when additional information was presented virtually on the eve of the publication of the report, it was my feeling, as it was the feeling of Congressman Yates in the House, that rather than ask the report to come up when we knew there were some loose ends, we ought to give them the time to look at those loose ends and determine whether or not there was substance to them and how they should be dealt with them. They could then either include in their report how they did dealt with that new information, or indicate that indeed there would have to be further investigation. And that is the background of the conversations that I had, and the reason why I suggested that they, rather than send up an incomplete report, take the time to look into it further.

I think that matter has had general acceptance of the delay, but I did want to make certain that we didn't have the record indicate they were unduly delaying the submission of the report.

Senator BUMPERS. I thank the chairman for clarifying that for me.

Mr. Secretary, I told you on the phone the other day that I have been generally well pleased with some of the things you are doing, and if we could just get you to do a few more things then I would go on the Senate floor and apologize for voting against your confirmation. One of those things that you know is extremely important to me, is the simultaneous oil and gas leasing program. My own personal desire is to go to an all-competitive leasing system.

I know that you just announced some changes. But let me just make a couple of points. One, there is not one single State in this country that leases its State-owned resources by lottery.

Wyoming which was the last holdout and the last State to give up the lottery system has been deriving in the short period since then two to three times as much money from their State-owned lands.

Two, the Congressional Budget Office has studied this and found that we can increase revenues over a 5-year period by $700 million. In the next 5 years we could take in a total of $1.3 billion on an all-competitive basis whereas we will only take in $600 million under the existing system.

Now that doesn't rebound an awful lot to the benefit of the Federal Government because the Federal Government will only get $40 million of that increase, but the States would get $660 million more. The States are just about as strapped in many instances as the Federal Government, and I think that is a consideration that we should all bear in mind.

Now one of the changes you have recommended in the noncompetitive leasing system is to require that people put up the first-year rented fee. In other words, if a tract of 1,000 acres is placed into the lottery, the applicant will not only have to put up $75 to get his name put in the lottery, but he or she would also have to put up a $1,000 which will be the first year's rental. Is that correct?

Secretary CLARK. It would be a $75 filing fee, Senator, and 1 year advanced rental by certified cashier's check.

Senator BUMPERS. What do you hope to accomplish by requiring them to put up the first year's rental? If the applicant loses, he or she get the money back. You will only keep the money of the winner.

Secretary CLARK. That is correct. Senator, in the consultations and studies that the Department has conducted since the self-imposed moratorium of last October, it was revealed that there is great concern not over only the income to the Federal Government and to the States, as there is over abuses in designation of known geologic structures but also and in the so-called services. Some of these services have, at times, preyed upon the public in selling their services. The advanced rental, it was felt, would effectively put the majority of these services into some business other than the simultaneous leasing program.

Senator BUMPERS. Mr. Secretary, let me say first of all that last year we took in about a $100 million in filing fees. Now if we simply cut down dramatically the number of people who are filing, aren't we shooting ourselves in the foot?

If you cut down by 50 percent the number of people filing, all you are doing is just reducing revenues to the Government by $50 million, are you not?

Secretary CLARK. My understanding, Senator, is that the real revenue accruing to the Federal Government arises from exploration, development, and production of the leaseholds. This is far in excess of the income from the $75 filing fees. In fact, among the options that were presented to the staffs and committee members—and I understand this has come up before—would be raising filing fees. But I understand that particular increased revenue was not considered as a prime factor in obtaining the highest return for the Government.

Our judgement is based on review of a process going back to 1959—recognized and approved by the Congress—which results in leasing of and production on lands that would not otherwise be producing.

Senator BUMPERS. Mr. Secretary, if that is the rationale why do we not lease offshore land by lottery?

Secretary CLARK. Senator, that hasn't been considered as far as I know. Certainly OSC leasing is on a competitive basis. We felt as I mentioned to you in our conversation, that SIMO leasing is a proc-

ess which allows many people to become involved productively, not just the small producer who depends on these leases but also the many people who become involved in the selection process. The real benefit, as I understand it, is that most of the areas subjected to the noncompetitive selection process have in fact been leased in the past by the majors and others frequently on a competitive basis. These lands have been abandoned after exploration because the desired structures, were not discovered. This is a second round of a process that has been very good for our national interest.

Senator BUMPERS. Would you favor a law which required shaving filing fees with the States? The States do not now share in anything except the dollar-per-acre rental fee, and oftentimes the filing fees will bring a hundred times more than the rental fee lease. The States are left begging, whereas if the lease is let competitively they get half of the bonus bids.

Why should they not participate in the filing fees?

Secretary CLARK. Well, one reason is that the product under the ground does not belong to the States. This whole area of splitting income is very much at issue, particularly in OCS leasing. Certainly we would look at any sound proposal. However, to my knowledge, a proposal to share filing fees, did not come up in the consultative process that we have been through.

Senator BUMPERS. Mr. Chairman, one final point if I may—I think I may have used this illustration before, but I will give it to you again just for emphasis and to dramatize the ridiculousness of this program.

Eighteen months ago BLM leased 2,000 acres of land in the Onachita National Forest for $1 an acre. We have millions of acres already leased for $1; 97.3 percent of all the land that the United States has leased has been for $1 an acre. It has been lease noncompetitively everywhere, but I am just telling you about in Arkansas—at least 2,000 acres were leased for $1 an acre.

Right in the middle of the 2,000 acres was an 80-acre tract which belonged to the State of Arkansas. We make people bid on our Arkansas land, and that land brought $103 an acre, so the State of Arkansas got over four times as much for 80 acres as the United States Government got for 2,000.

Does that strike you as strange?

Secretary CLARK. It is an anomaly, Senator, but when you deal with this much land and these numbers of people, we will have examples that within the law and within logic do appear absurd. This non-competitive approach, which is not all that non-competitive, has been with us for so long and we have given it a very intensive study, as I told you we would do during the confirmation hearings. We just didn't feel it is time to throw the baby out with the water. I hope that we might be able to implement this new approach.

I think the important part of that approach, Senator, is the assignment of more people and the taking of greater care than has occurred earlier. We are no longer merging geological structures by stepping them off so many paces from this or that point. We are using more scientific data in distinguishing the known from the unknown and that, in conjunction with increased up-front money to weed out some of the abuses, if not frauds, that have crept in at State levels, should justify another look at the process for a few

more months to see how it works. We are going to remain flexible on it, and I certainly do recognize your concerns.

Senator BUMPERS. Well, Mr. Secretary, let me make two points and then if you care to respond, by all means do so.

No. 1, the land is oftentimes already bringing what it is really worth and what the United States would get for it if it is put up for competitive bid. The problem is illustrated by the Amos Draw case. Some little gray-haired woman in Fort Lauderdale who sent in her $75 gets the $5 million if she is the lottery winner, but not the United States Treasury. It isn't a question of whether somebody is having to pay market value for it or not.

Incidentally, the lottery system is a violation of the Federal game laws. I am as certain as I am sitting here the way we lease lands is a violation of the gaming laws of the United States. The oil companies, in one sense, are not getting big benefits because they are having to pay the lottery winner the fair market value. Oftentimes they would deal with him because they are buying it for less.

No. 2, ever since I got into this in 1979 I have been promised repeatedly that this administrative band-aid approach, will work. Interior has raised the filing fees from $10 to $25 and raised it from $25 to $75 and now Interior insists that it is going to make the USGS do a better job of determining what a known geological structure is, and yet the fraud and the abuse just continue. As recently as 5 months ago, in the Amos Draw area 18 of the best leases in the United States went into the lottery and 12 of those leases within 6 weeks after the drawing were sold for somewhere between $50 and a $100 billion. The United States Government got $20,000. Those leases covered about 20,000 acres. The United States got $20,000, but the lottery winners got close to a $100 million.

We keep talking about budget balancing, yet CBO is saying that this is a ridiculous system costing the Federal Government hundreds of millions of dollars. If that lease had been competitive leased, the State of Wyoming would have gotten half of the money, and if you assume all 18 tracts are only worth a $100 million, the State of Wyoming would have gotten $50 million. Instead it got $10,000.

If you were a citizen of Wyoming, do you think you would sanction this system?

Secretary CLARK. The Amos Draw may have been a mistake or an anomaly, but we are not yet through with it. There is a certain vitality in our system that should permit us to approach again something like the Amos Draw, and the facts aren't all in on that yet, Senator. We can approach it for the purpose of doing the correct thing pursuant to facts as they are established. Hopefully it will be done in that case. So we are going to have mistakes within the application of every rule—thank goodness we have a system that usually permits us to catch up with those mistakes.

Senator BUMPERS. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you very much, Mr. Secretary. I will have a number of questions, and other members of the Committee may also have questions, to submit for the record for response in writing.

I do want to highlight just one area of those questions which I will submit in much greater detail. That is with respect to our

Trust Territory responsibilities and the question of where the administration of compacts will fall after those compacts are submitted and if approved by the Congress of the United States.

As you would know, the administration's budget proposal carries with it the assumption that program administration after the compacts are approved, will lie in the State Department. I do not believe that the State Department has demonstrated any expertise in administering grant programs.

If in fact we look at whatever deficiencies there may be in administration of government programs in all agencies of the Government, I would think that the hands-down winner in the contest of worst administration of the taxpayers' money lies in the State Department. I know that you would not wish to defend the State Department, but neither would you wish to take a position other than that which the administration has already articulated.

I understand some of the reasons why the administration may wish to transfer responsibility over Compacts of Free Association to a State Department; it then has the appearance of dealing with a foreign government as a foreign entity rather than as an instrumentality of the United States Government.

The other side of that must lie in the future administration of the program. We have requests coming in from some of these territories for further extension of U.S. administrative programs to be administered by their government, within their territories, after the compacts. The compacts themselves indicate that programmatic administration will be required. I know that out there the State Department has been playing the game of saying just turn it over to us; we know you have had trouble with the Department of the Interior. You won't have any problem with us. The State Department is very good at that sort of thing.

I think they are in some respects misleading the peoples who will be affected by it as to the manner in which it will happen. There is only one administrative excuse for turning it over, and that would be if it would indeed by a block grant in which we give them x numbers of dollars and walk away from it, then they can use it however they want.

I do not believe that that is what the peoples in these areas expect. I do not believe that as yet I see our administration saying that is what we intend to do, and it flies in the face of the request we are getting for continuing programs even after compact negotiations. They want further additional programs administered within their areas.

In my judgment, it simply is not going to work to turn over to the State Department the programmatic administration of programs that are being administered by the Department of the Interior at the present time.

There also are some other questions out there as well which I will submit.

Secretary CLARK. Do you want my comments on the proposed compact, Senator?

The CHAIRMAN. Certainly.

Secretary CLARK. It is true that OMB is now considering the compacts. A letter of transmittal, drafts of which I have not yet seen, is being prepared for forwarding the proposed compact to the

Congress for ratification. If ratified, and I emphasize the "if," several things must occur.

The question of administration of trust and former trust territories is being submitted to the United Nations Security Council for consideration, and so there is considerable conditionality in front of the paper that is coming up.

Budgetwise, we have proposed the usual $96 million in the Department of the Interior budget for administration. The State Department, it is true, did include some $300 million in their budget on the assumption there would be ratification plus transfer, but there is a long way to go before that can occur.

The figure of $295 million, I understand, is proposed in the State Department budget only as a contingency and not as a request for appropriation, but it is flagged. There seems to be on assumption that there will be ratification by the Congress, approval by the UN, and transfer of both authority and duty to the State Department. However, that is what ratification is all about and I am certain that you will be reviewing those issues up here.

The CHAIRMAN. Mr. Secretary, I appreciate that statement. You also said that you understand the letter of transmittal has been prepared but you have not seen it?

Secretary CLARK. That is correct.

The CHAIRMAN. Will you see it before it is sent?

Secretary CLARK. I have asked that I be able to study it and join in either its approval or disapproval.

The CHAIRMAN. Well, as you know, I am not the only one up here that is concerned with that. Senator Weicker who is chairman of the subcommittee also has expressed his concern. Senator Johnston who has been very much involved with it for many, many years has expressed his concerns as well. I hope the administration doesn't ignore the fact that this is not just a question that because we have jurisdiction in this committee at the present time, we are concerned about it as a jurisdictional question.

We are concerned as to the substance of Administration policy and whether or not it will work. As a matter of fact, I note that in your capital construction program you still are not making good on commitments that go back many, many years, while the State Department is out there making more promises.

Secretary CLARK. Yes.

The CHAIRMAN. It seems to me that there ought to be some skepticism on the other end about whether the new promises are better than the old ones, but that is a separate question I guess.

Secretary CLARK. All right.

The CHAIRMAN. Thank you very much, and I look forward to your response to these questions. I very much appreciate your appearance here this morning, and your responsiveness to questions. I think we might just conclude perhaps on the note that while you are talking about minding your Ps, and you referred to the three Ps, that you should mind your Ps and Qs. I think you are, and that Q stands for quality. I hope the quality will continue.

Thank you very much.

Secretary CLARK. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

[Whereupon, at 12:20 p.m., the hearing was recessed to reconvene Wednesday, February 8, 1984.]

[Following is a list of questions submitted to Secretary Clark from the Committee. Secretary Clark's responses appear as appendix II.]

UNITED STATES SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C., February 14, 1984.

Hon. WILLIAM P. CLARK,
Secretary, Department of the Interior,
Washington, D.C.

DEAR MR. SECRETARY: On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1985.

In connection with your testimony before the Committee on February 7, 1984, enclosed are questions for the record. Your response by close of business Thursday, February 23, 1984, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

JAMES A. MCCLURE, *Chairman.*

QUESTIONS SUBMITTED TO SECRETARY CLARK, DEPARTMENT OF THE INTERIOR FROM COMMITTEE ON ENERGY AND NATURAL RESOURCES, FEBRUARY 14, 1984

QUESTIONS SUBMITTED BY THE MAJORITY

1. Would you provide for the record a list of legislative initiatives accompanying the proposed fiscal year 1985 budget? Would you include a statement of purpose, proposed language (if available at this time but. If not, an indication of when it will be available); and an explanation of the language? Would you also indicate whether it is your intention to submit legislation and whether, in you judgement, such legislation would be forwarded to the authorizing committee or to the Appropriations Committee?

2. Would you provide for the record a list of any fiscal year 1984 supplemental or deferral requests by appropriations account?

3. Would you provide for the record a list of any current or anticipated fiscal years 1984 and 1985 recissions or deferrals pursuant to the Budget and Impoundment Control Act assumed by the proposed budget for fiscal year 1985; copies of the relevant budget justifications; and the status of such proposed actions?

4. What are the assumptions behind the proposed fiscal year 1985 lease sales which include four offshore of Alaska, two each in the Gulf of Mexico and the Atlantic, and one off of California?

5. The Administration has recommended repeal of the OCS restrictions recently enacted as part of Appropriations Acts.

a. What is the basis for this recommendation?

b. Do these restrictions affect either your fiscal year 1984 or fiscal year 1985 leasing program schedules?

6. Once again the Department is proposing to revise recreational fees.

a. Can this be accomplished without legislation?

b. What is proposed regarding fees in the absence of legislation?

7. Reportedly the Department is changing the planning process for Bureau of Reclamation projects to more closely parallel that of the Corps of Engineers.

a. Is it correct that under the new procedure Congress would not have to authorize feasibility studies?

b. When would Congress first be asked to authorize construction?

QUESTIONS SUBMITTED BY SENATOR HATFIELD

8. The fiscal year 1985 budget request for the Forest Service contains a statement that legislation will be submitted which proposes to change the program for sharing receipts to states to a "tax equivalency" basis. Does the Department of the Interior propose any changes such as those proposed by the Forest Service? If so, would you please provide a copy of the proposed bill to the Committee.

9. If the Forest Service is granted the proposed receipt change formula, what would be the effect of grants to the state of Oregon for timber receipts received from the Oregon and California Grant Lands?

QUESTIONS SUBMITTED BY SENATOR WEICKER

10. Mr. Secretary, many times in the past several years I have expressed my fears that former Secretary Watt's five year OCS leasing plan did not strike a proper balance between achieving energy independence and protecting the marine environment. I am encouraged by the fact that you have decided to review the five year leasing process. Are there any preliminary indications of your views of the leasing process as a result of this review?

11. Is it your impression that the bids on Lease sale 73, off the coast of California assured fair market value return for the area being lased? Were the bids on this lease sale the impetus for your decision to review the five year leasing program? Is industry prepared for such a accelerated leasing program?

12. Congress recognized the need to protect environmentally sensitive areas and enacted a leasing prohibition for approximately 17.5 million acres in the area of Georges Bank in DOI's FY 84 Appropriations Bill. Since adequate scientific data is not currently available to assess the effects of an oil spill to the valuable marine resources of the Bank it seems clear that development as presently scheduled is not in the best interest of the country. What are the plans for oil and gas leasing on Georges Bank?

13. Mr. Secretary, in your opening statement you stated that "we will make a concerted effort to increase State and public participation and to resolve State, environmental and military conflicts much earlier in the leasing process". In your opinion, how will the Supreme Court's ruling on the Federal consistency section of the CZMA affect states involvement in the leasing process?

14. Is it your impression that your "scoping meetings" will substitute in the sense of the Federal consistency provisions of the CZMA? Will these meetings indeed adequately address the concerns of the coastal states?

QUESTIONS SUBMITTED BY SENATOR MURKOWSKI

15. I greatly appreciate your committee to maintain the accelerated levels of land conveyances pursuant to the Alaska Statehood Act and the Alaska Native Claims Settlement Act begun under this Administration. Interim conveyance or tenative approval is only part of the job—the conveyed lands must be patented. To be patented, the lands must be surveyed.

a. The Department of interior budget proposes cuts in the funds for cadastral surveys. What is the rationale for these cuts?

b. I have a letter from the Office of Management and Budget confirming that cadastral surveys fall within the category of services that should be performed by the private sector where possible. The Bureau of Land Management in Alaska has completed a successful pilot program where it was shown that private companies do an excellent job of performing these cadastral surveys. Will you look into the possibility of using more private companies to assist in addressing the tremendous backlog of survey work which must be completed in Alaska?

16. You are proposing cuts in the Geological Survey's Earthquake Hazards Reduction Program which will result in the closing of ten seismic stations and three geodetic networks in Alaska. I believe Congress will restore those cuts, particularly in light of the fact that Alaska is the most seismically-active State in the nation. What is the rationale for these proposed cuts?

17. The National Park Service manages 68.5 million acres in the United Staes—48.3 million of which lay in Alaska. Despite the fact that Alaska has 70% of the nation's park service lands, you are proposing that the Park Service in Alaska receive a 2.3% share of the total Park Service budget. Similarly, Alaska contains more than 85% of the Nation's Fish and Wildlife Service acreage, yet the U.S. Fish and Wildlife Service in Alaska would receive 6% of the total budget request for the U.S. Fish and Wildlife Service.

a. Can these agencies adequately manage these lands within Alaska given this distribution of funding?

QUESTIONS SUBMITTED BY SENATOR CHAFEE

19. Last year the Interior Department stopped identifying implementation funds for the Alaska National Interest Lands Conservation Act (ANILCA) in its budget. Before that time a breakdown of funds for ANILCA was provided with DO's budget proposal. This breakdown enabled Congress to examine the allocation of ANILCA funds. Since 1981 Interior's budget for ANILCA has consistently overemphasized resource development projects and neglected the conservation provisions of the Act. So that this committee can see whether this emphasis on the development aspects of

the Act is continuing could you please provide the committee with a breakdown of Interior's funding for ANILCA in the FY 85 budget estimate.

QUESTIONS SUBMITTED BY SENATOR EVANS

Bureau of Land Management

20. Please describe the nature of soil and water inventories and the concept behind their development. How do reductions in these inventories relate to relations in the Soil, Water and Air Management budget and staff?

Bureau of Reclamation

21. You have indicated that you will be seeking increased charges for "water services". Please explain what this would entail; for example, who will be affected, what constitutes a "water service", what is the magnitude of the proposed increases, etc. Have the projected revenues from increased charges bee factored into your proposed budget?

22. I note that you are proposing to spend $475,000 for an Advanced Planning Study for the Yakima River Basin Water Enhancement Project Fish Passage and Protective Facilities. What do you expect to accomplish with these funds? Is there any reason why these funds are not being used for the planning and design of such facilities? Does the Department of the Interior have the authority to design these facilities or does this authority rest solely with the Bonneville Power Administration? Are you coordinating this study with the BPA? Which agency will be responsible for designing the fish passage and protective facilities? If the Department can design them, how much funding will this require? If the Department lacks the authority to plan and design these facilities would you please provide the Committee with draft legislation to authorize the Department to design and construct these facilities.

U.S. Geologic Survey

23. Please provide a detailed explanation of the increases and decreases in the USGS proposed budget for 1985.

Mineral Management Service

24. Please explain the requested 17% increase in the funding for the general administration in the Mineral Mining Service.

Bureau of Mines

25. Please provide a list of the Mineral Institutes, their respective locations, affiliation, if any, and funding in FY84.

National Park Service

26. Please explain the rationale for funding the Park Restoration and Improvement Program (PRIP) with funds from the Land and Water Conservation Fund and clarify what benefits you contemplate securing from this arrangement.

27. Please provide a more detailed breakdown of the proposed use of funds by the National Park Service under PRIP; in particular, please provide proposals concerning the maintenance and upgrading of the Park system's backcountry.

28. I note that you plan to continue to institute entry fees and special recreation fees for all units of the National Park system. Specifically, what fees or fee increases are you proposing, by unit, and how much revenue do you expect to generate?

29. You are requesting that such recreational fees no longer be deposited in the Land and Water Conservation Fund, but rather go into a special Treasury account. What programs will be funded from this special account? How will this arrangement affect the revenues of the Land and Water Conservation Fund and, subsequently, the funding of the Park Restoration and Improvement Program?

30. I am quite concerned that the Olympic National Park is not included in the land acquisition program for the National Park Service. It is my understanding that additional lands need to be acquired before the Olympic National Park land acquisition program is complete and that funding would be provided in FY85 for this purpose. Please advise me of the status of the funding for land acquisition in the Olympic National Park and what measures must be taken to restore funding for this program.

Bureau of Indian Affairs

31. In the Interior appropriations bill, Congress provided an increase of over $1.8 million for operation and maintenance of BIA fish hatcheries on Indian reservations over funding levels for FY 83. In the conference report on the Interior appropria-

tions bill, Congress specified that additional funds be distributed to high priority programs named in both Senate and House Committee reports. Please describe the allocation formula used by the BIA to distribute the increased funds. Specifically, to what extent will the increases be directed to Western Washington Boldt Case Area tribes? Does the 1985 budget request reflect continuation of these increased funding levels?

QUESTIONS SUBMITTED BY SENATOR JOHNSTON

Acid Rain Research—U.S. Geological Survey

32. The President's FY 1985 budget request for acid rain research totals $55.5 million. Although most of this will go to EPA (34.3 million), approximately $5.5 million will go to the Interior Department, of which the Geological Survey is the lead agency. What kind of acid rain research activities does Interior intend to undertake under this increased level of funding?

33. What portion of this money would you propose be used for research on control techniques? What portion for the nature and effectiveness of mitigation measures such as the liming of lakes?

34. Much of the debate over acid rain has focused on the costs of implementing mitigation measures and control technology. Little attention has been given to the costs of not reducing the emissions of acid rain precursors. Does the Administration have an estimate of the annual cost of damage to loss of agricultural crops, forests, buildings, and health attribute to acid rain?

Coal Leasing—BLM

35. The Department has requested approximately $30 million for the coal leasing program. This amounts to a 10 percent decrease from the FY 1984 level. Please detail which programs will receive reduced funding, and explain your rationale for this proposal.

36. Are the Department's plan for future coal lease-sales contingent upon the recommendations of the coal commission and OTA?

37. What do you feel will be the impact of these reports on the size and timing of future sales?

38. We understand the proposed draft commission recommendations already in circulation will remain substantially the same between now and when the report is issued. What impact will these have on the size and timing of sales?

39. What is the status of the Department's plans to hold two coal lease-sales this June?

40. Questions have been raised as to whether the Department should have a more extensive exploratory drilling program prior to awarding a coal lease. Has the Department requested a budget increase for this purpose? If not, why?

41. Do you feel the Department makes adequate use of existing data in making coal leasing decisions? Please explain.

42. Has the Department reduced the level of funding in this fiscal year's budget request for pre-sale planning inventories?

43. What can the Bureau of Land Management do to integrate into the planning process necessary data from sources such as other Federal agencies and industry?

44. Are you familiar with whether there are any pending Inspector General investigations into the Federal coal program? If yes, what are these investigations about?

45. What is the status of the Inspector General's review of the Duck Nest Creek exchange involving the AMAX company?

Coal Revenues—BLM

46. The DOI budget projects that coal rents and bonuses will increase from $33.1 million in 1984 to $62.6 million in 1985. They have also predicted that coal royalties will increase from $77.8 million to $146.2 million.

47. According to press accounts (*The Energy Daily*, February 6) MMS Spokesman, Ted Saunders, explained that these projections were developed by BLM. BLM, however, attributed them to MMS. What agency made these projections?

48. Please explain the basis for these projections.

General

49. Mr. Secretary, what, if any, legislative initiatives will the Department be transmitting to the Committee in the second session of the 98th Congress?

50. The Grace Commission's Interior Department task force has made 28 recommendations estimated to save some $300 million over three years and to generate over $1 billion in revenues over the same period. Which, if any, of these recommendations do you plan to implement or ask Congress to give you the authority to im-

35-235 O - 84 - 5

plement? How much does the Department of the Interior anticipate saving in FY 1985 as a result?

51. Will the Department of the Interior submit a quadrennial authorization for the Bureau of Land Management prior to May 15, 1984, as required by Section 318(b) of FLPMA?

52. Please provide a table showing the Administration's estimate of DOI receipts (OCS and offsetting) and receipts actually received for FY 1982-84.

Grazing Fees

53. Are grazing fees expected to decrease again in FY 1984? Are you satisfied that the public is receiving a fair return from the program?

Land Acquisition/LWCF

54. Why is the Administration again proposing to fund park maintenance and rehabilitation projects from the Land and Water Conservation Fund? From a budgetary standpoint, what difference does it make where the funds come from?

55. Last year the National Park Service indicated that land acquisition plans would be completed in calendar year 1983 for 75 units of the System. How many of these have in fact been completed? How many are scheduled for completion in calendar year 1984? Are land protection plans still being prepared in part by personnel whose salaries are paid out of the Land and Water Conservation Fund? Do you believe that this is a proper use of Land and Water Conservation Fund monies?

56. The obligation rate for National Park Service land acquisition funds averaged almost 90% between FY 1975 and FY 1980. In FY 1981, this rate dipped to 80% and in FY 1982, only 51% of the funds were obligated. What was the obligation rate in FY 1983? What is the reason for this significant decline over the past three years?

57. How much money is the Department requesting for public land sales? How much land is the Department planning to sell in FY 1984? How much revenue do you anticipate raising this fiscal year through land sales? What about future years?

58. The Administration should be commended for requesting land acquisition monies to help reduce the backlog of authorized but unacquired park and forest lands. At the same time, however, no funds are being sought for the Land and Water Conservation Fund state grant program, the Historic Presevation Fund, or the Urban Parks Program. What is the rationale for once again ignoring these important matching grant programs?

59. In FY 1983, $187,000 was credited to the Land and Water Conservation Fund through the sale of surplus property in accordance with the Land and Water Conservation Act. The Administration is estimating that these sales in FY 1984 and 1985 will exceed $460 million. Do you think this is a reasonable estimate of revenues? Please explain.

Mine Reclamation—OSM

60. The Department has proposed a budget of $263 million for non-matching reclamation grants to the states. This represents an 11 percent increase from last year's level. If this total is appropriated through grants to the states, how much will remain to be allocated from the Abandoned Mine Reclamation Fund?

61. Last year former Interior Secretary Watt made the point that Interior can only distribute grants to the states based on their capability and as they request the money. How many states are eligible to receive mine reclamation funds (in other words, how many states have their mine land reclamation plans approved)?

62. How much money have states requested for the purpose of mine reclamation in this fiscal year?

63. The Department is currently reviewing Oklahoma's state reclamation program as a result of its negligence in citing surface mining violations and in collecting assessed fines. The Surface Mining Act under Section 504 provides that the Secretary shall prepare, promulgate, and implement a Federal program for a state if the state fails to adequately implement, enforce, or maintain its approved state program. How do you intend to implement this provision of law?

64. Are there any Department policy guidelines to respond to situations in which a state is not carrying out its program adequately. If so, what are they?

65. Is there any money in the budget to support Federal assistance for states such as Oklahoma who may have their state primacy revoked?

Mineral Institutes—Bureau of Mines

66. The authorization ceiling for the research Mineral Institutes program established by Title III of the Surface Mining Act expires on September 30, 1984. The Department has requested zero funding for the program. Is the Department familiar with S. 2186, a bill introduced to extend and modify the Institute program? If yes,

would the Department support the contribution of Federal money to maintain the program? If not, how do you propose that the Mineral Institutes will continue active research once Federal funding is discontinued?

National Park System

67. How much money has the Administration requested from FY 1982–1985 to operate and maintain the *new* units of the National Park System established in the Alaska National Interest Lands Conservation Act of 1980?

68. What changes do you anticipate in your OCS leasing programs as a result of the Supreme Court's decision in *Secretary of the Interior* v. *California?*

69. You delivered some remarks on January 12, 1984, regarding the Outer Continental Shelf, in which you mentioned some "assumptions" under which you are operating and the "proposals" you are considering for the OCS leasing program. To what extent will the proposals be implemented by changes to the DOI regulations?

70. As you know, there may be legislative attempts to overturn Justice O'Connor's decision in the recent Supreme Court case. Your efforts in the Department of the Interior to modify the OCS lease sale procedures may be seen as offsetting to some extent the impetus for such legislation. To what extent do you think that changes in DOI policy and regulations can calm the fears of the states and environmentalists who may seek to overturn or modify the Supreme Court decision?

71. Has the Department considered the possibility of submitting legislation in the area?

Oil and gas royalty management

72. The Department has again submitted appropriations act language that would deduct the cost of collecting onshore mineral receipts prior to the division and distribution of those receipts to the States and the Treasury. Last year, this Committee expressed its belief that the Department does not have the present authority to implement this proposal and strongly objected to any attempt to acquire such authority other than through the submission of proposed legislation to this Committee. Does the Department intend to submit such legislation? Please submit a table showing the reduction in royalty revenues of each State and Indian tribe if this proposal had become law last year.

73. On November 4, 1983 the Minerals Management Service sent a letter to all royalty payors regarding the reconciliation of royalty accounts of less than $100,000. The letter states that "Each State currently under the cooperative audit process will be given the option to reconcile, within a 1-year period, all debit and credit account balances under $100,000. If the State does not opt to reconcile the account, the MMS will undertake steps to *write off the account* using required Government-wide procedures. Account balances below $100,000 in States not having cooperative audit agreements will be *written off* using required Government-wide procedures." (Emphasis added.)

(a) Why is the MMS planning to write-off accounts of less than $100,000?

(b) How many accounts would be written-off under this plan? How much money in royalties would go unrecovered?

(c) Were the States and Indian tribes consulted prior to the announcement of this plan?

(d) Please describe the "Government-wide procedures" referred to by the MMS.

74. Attached is a summary of a meeting of the *Ad hoc* Subcommittee on Oil and Gas Royalties of the Conference of Western Attorneys General. The summary indicates numerous concerns regarding the Department's practices regarding oil and gas royalty management. Please submit a written response to each of these concerns.

75. Please provide the Committee with a status report on all cooperative agreements and delegations made by the Secretary under the authority of sections 202 and 205 of the Federal Oil and Gas Royalty Management Act of 1982.

76. How much is included in the budget of the Department for Federal assistance to States and tribes under these authorities?

How many agreements and delegations is this amount expected to cover?

77. Section 101(b)(1) of the Federal Oil and Gas Royalty Management Act requires the Secretary to "inspect at least once annually each lease site producing or expected to produce significant quantities of oil or gas in any year or which has a history of noncompliance with applicable provisions of law or regulations".

(a) Have you complied with this requirement?

(b) How do you determine which leases will be inspected and which will not?

(c) What are your plans with regard to inspections in FY 1985?

78. Please provide a status report on reconciliation of current and past oil and gas lease accounts. What has the Secretary done to "give priority to auditing those lease

accounts identified by a State or Indian tribe as having significant potential for underpayment" as required under section 101(c)(1) of the Federal Oil and Gas Royalty Management Act of 1982?

79. Section 303 of the Federal Oil and Gas Royalty Management Act of 1982 requires the Secretary to study the adequacy of royalty management for minerals other than oil and gas and to submit the study to Congress before January 12, 1984. Where is this study? Will it include proposed legislation?

CONFERENCE OF WESTERN ATTORNEYS GENERAL

MEETING SUMMARY OF THE AD HOC SUBCOMMITTEE ON OIL AND GAS ROYALTIES, THURSDAY, NOVEMBER 17, 1983, STATE CAPITOL, DENVER, COLO.

I. Call to order

A meeting of the *Ad Hoc* Subcommittee on Oil and Gas Royalties was called to order by Jan Stevens, Deputy Attorney General (CA) and Chair of the Subcommittee, at 9:00 a.m. on Thursday, November 17, 1983, in Room 320B of the State Capitol in Denver, Colorado. This meeting was held in conjunction with many of the Western State auditors. Those present at the Subcommittee included the following:

Jean Abadie, Auditor (CA), (916) 323-1571.
Clint Armstrong, Chief Auditor (CA), (916) 323-1591.
Steven P. Bensen, Chief Auditor (ND), (701) 224-4782.
Larry Biggio, Auditor (WY), (307) 777-6664.
Pat Blizzard, Assistant Attorney General (CO), (303) 866-3611.
George Bowman, Auditor (UT), (801) 530-6186.
Chris Byrne, Staff, Western Interstate Energy Board, (303) 377-9459.
Randall L. Fetterolf, Mineral Audit Supervisor (WY), (307) 777-6669.
Mike Greene, Senior State Auditor (CO), (303) 866-2051.
Barbara Herman, Assistant Attorney General (AK), (907) 276-3550.
Douglas L. Johnson, Assistant Attorney General (ND), (701) 224-2800.
John Mathews, Deputy, State Auditor's Office (CO), (303) 866-2051.
Jan Miller, Deputy Attorney General (CO), (303) 866-3611.
Mike Quealy, Assistant Attorney General (UT), (801) 533-4446.
Howard M. Schrinar, Assistant Attorney General (WY), (307) 777-7830.
Georgia Staigle, Auditor (ND), 261-5397.
Jan Stevens, Deputy Attorney General (CA), (916) 324-5495.
John E. Thorson, Staff Director, CWAG, (415) 986-3760.
Charlotte Uram, Assistant Attorney General (NM), (505) 827-6000.
Steve Wilson, Auditor (WY) (307) 261-5891.

Actions of the Subcommittee, reports, and business items were as follows:

II. Approval of minutes

The minutes of the July 27, 1983, meeting of the Subcommittee which was held in conjunction with the Annual Meeting of the Conference of Western Attorneys General in Seattle, Washington, were approved as submitted.

III. Reports

A. DOI Budget

Stevens reported that the Department of Interior budget had been passed for fiscal year 1985 and includes funding for both payments in lieu of taxes and the Mineral Management Service (MMS). These items will not be funded from royalties collected under the Mineral Leasing Act, and the Senate wrote an excellent Committee report rebuffing the Administration's attempts to fund such activities from royalty proceeds.

B. Litigation

1. *Reagan* v. *New Mexico, WNRL* 9.3 (Fall 1983)

Stevens reported that the Litigation Action Committee agreed, on the preceding day, to encourage each of the Western States to file an *amicus* brief on behalf of New Mexico's position on the application of the windfall profits tax to the state royalty share. Howard Schrinar of Wyoming will be authoring the brief; and, after a briefing schedule has been determined by the Tenth Circuit, the brief will be distributed for individual state consideration.

2. *Stripper Well Litigation*

Alan Novins, Special Counsel for the State of California, reported that in the stripper well litigation, which had been consolidated in the federal district court of

Kansas, the judge has decided to remand the case to the Department of Energy for its recommendation as to where the fund of overpayments should go. While the attorneys general have argued that the money should go to individual states, that position had been opposed by the federal government and producers. A preliminary report by DOE is due in six months and a final report in one year. To date, literally nothing has been done by the Department of Energy.

3. *Exxon Case*

The federal district court for the District of Columbia has ruled that $1.6 billion in overpayments by Exxon should be returned to the 50 states. The matter, however, is on appeal to the temporary emergency court of appeals; and the states' briefs are due December 9.

IV. New business: Implementation problems under the Federal Oil and Gas Royalty Management Act

A. Report of Problems

Schrinar indicated that he was pleased that a joint meeting could be held between the Subcommittee and some of the Western State Auditors who have both long experience and great frustrations with the federal collection and accounting for royalties under the Mineral Leasing Act and the new Federal Oil and Gas Royalty Management Act. Schrinar provided a brief review of some of the major problems which would be discussed throughout the meeting:

1. Department of Interior's decision not to allow delegations authority under the Act to the states.
2. Interior Department's decision not to fund cooperative agreements.
3. Problems of inadequate auditing and control by the Mineral Management Service.
4. Interior's proposed definition of fair market value of oil and gas as simply the gross proceeds of a sale between a buyer and seller who in most cases not not dealing at "arm's length."
5. The attitude of the Mineral Management Service that it wants states completely out of the royalty collection and auditing program.
6. Interior's threatened decision to write off collection efforts for any oil and gas royalty account of less than $100,000 (see Attachment A).
7. The problem that, when a state audit indicates that royalties, penalties and interest are due from the producer, the Mineral Management Service is slow, or even refuses, to bill the producer.
8. The apparent total breakdown in the Mineral Management Service computer system.
9. The problem that federal mismanagement also impedes state collection of severance and production taxes.
10. The emerging realization that Department of Interior mismanagement probably extends to other leasable minerals such as coal.

There followed a state-by-state review of the problems being experienced with the Department of Interior in its royalty management and collection responsibility:

Wyoming—Fetterolf provided an overview of some of the generic problems being experienced by auditors in all the Western oil and gas producing states as well as a discussion of some of the problems as they have affected Wyoming. Fetterolf indicated that the joint audit in Wyoming began in 1981 on a handshake between Secretary Watt and State Auditor Jim Griffith. To date, that state has performed 90–95 percent of the audit work; and the federal auditors assigned to the task have been from the Department of Energy and have had little knowledge of Wyoming gas procedures. Approximately 6,000 royalty accounts are suspected to have problems, but the three state auditors have only been able to look at 400 of these accounts. Yet, the auditors have collected $19 million in windfall profits tax and royalty payments. To date, no companies have even contested these assessments for past due obligations.

At first, the state was left alone by Interior Department as the joint audits were being conducted. With the establishment of the Royalty Compliance Division of the MMS, however, federal participation has been an obstacle to state collection efforts. This state is now unable to get the MMS to bill the delinquent producer. MMS provides little justification for the delay or failure to bill producers. On occasion, the agency says states are misinterpreting the regulations; on other occasions, the matters are referred to the Product Value Division for the calculation of fair market value.

Fetterolf indicated that the MMS's new computer program is fundamentally ill-conceived. Recently, it was learned that the system has refused to accept, without

manual input, 400,000 line items of data. It is felt that approximately 40 percent of the reporting data on production cannot be automatically entered into the system. In attempting to cure this problem, the agency has reduced the number of edits which probably has increased the margin of error.

The MMS is taking a position on the proposed regulations which would be seriously damaging in both federal and state financial interest in the royalty program. In calculating fair market value of production, the agency is prepared to accept the gross proceeds resulting from a sales transaction ignoring the fact that most such sales are between affiliated buyers and sellers. Even Robert Boldt, the Acting Director of Royalty Compliance Division of the Mineral Management Service, admits that as many as 90 percent of the sales transactions are other than "arm's length" transactions. Fetterolf indicated that he cannot understand why, in an industry where most parties deal with one another as interested and affiliated entities, the Department of Interior is basing its whole evaluation program on "arm length's" concept. Fetterolf feels that the evaluation concept is totally unrealistic and unsuited for the industrial reality.

Most alarming, however, is the apparent attitude of the Department and Mineral Management Service that states should not be a part of the royalty management and collection process. This attitude is directly contrary to the language and spirit of the Federal Oil and Gas Royalty Management Act. While the agency seeks to disparage state capacity to collect and manage royalties, the federal collection efforts have been embarrassing at best.

Fetterolf also referred to Attachment A, which is a recent letter from MMS to producers indicating that, as the agency makes its transition to the computerized system, accounts with balances of $100,000 and less will be transferred to the state for one year collection efforts. It is unclear where MMS gets authority for such a determination, and it would be impossible for states to collect these numerous accounts within the one-year limit and to free the necessary resources to do so in any event.

On other issues, Fetterolf indicated that the Department's Advisory Committee on the enforcement and implementation of the statute will soon be issuing its report. The Committee has been pro-industry, hostile to the states' position, and its final report will probably minimize the serious problems being faced by the Interior Department in the implementation of the new statute.

Fetterolf also indicated that Interior mismanagement may extend to other useful minerals as well. A recent joint audit of coal conducted in Wyoming indicated $3.9 million in delinquent royalties. MMS still has not billed the coal company for these delinquent payments. A second royalty audit is presently underway by MMS for coal production in the state. Also, recent investigations indicated $1 million due on sulfur production as well.

A recent spot audit of a new Amoco refinery in Wyoming, which receives production from wells on federal land, indicated that no report and had been made to the federal government of any production for eight months and that $1.3 million in royalties were already due.

Fetterolf indicated that the lookback audits contracted for by the Interior Department had been ineffectual. Done by large national accounting firms, these audits have cost $10 million over the last two years but have collected no money. The effectiveness of these lookback audits has been compromised by the accountants having to go through the Inspector General of the Interior Department.

California.—Abadie reported that his investigations on behalf of California had identified upon a brief review of 25 accounts, underpayments of $8 million. Upon a detailed audit of some of these accounts, more than $7 million had been identified. On many of these accounts, the Interior Department had failed to bill for any delinquencies on production not reported in form 2014. This represents a lack of billing on $575 million of past due royalties.

Greene indicated that the agency was making no attempt to obtain royalty payments for the royalties paid in-kind.

Colorado.—Greene indicated that his auditors have looked at 300 leases and have identified $8 million in royalties delinquencies and only $6 million had been collected. The review of payments to the states by the Interior Department has indicated that these six-month payments have fluctuated between 37 percent and 51 percent.

The Colorado joint audit has consisted of three Colorado auditors and one MMS auditor. In violation of the written agreement, MMS has assigned three different auditors to the cooperative audit in the last 18 months. State audit efforts are also hampered by the fact that MMS records are held in five Colorado offices, and in offices in New Mexico, Utah, and Wyoming.

Greene believes that the gross proceeds concept for determination of fair market value is flawed in that it does not include tax reimbursement payments made to producers by sellers.

The state's audit has identified three wells on federal land that had been in production for three years without making any royalty payment whatsoever.

Greene indicated that he had assigned his auditors to review MMS figures which were utilized in calculating a semiannual royalty payment to the state. During this review, his auditors were requested to leave as such a review violated "the sovereign immunity" of the federal government. The Inspector General for the Interior Department has now allowed the review to proceed but under a limited arrangement which has compromised the accuracy of the review.

Utah.—Bowman concurred with fellow auditors in indicating that the MMS auditors assigned to joint audits have been inexperienced and that the agency has ignored billing requests from the state. On one occasion, the state had requested a bill for $300,000 in past due royalties; but, while the state's request was pending, the agency wrote off the entire account. Now, the state can get no information as to why the write-off occurred.

Bowman indicated his concern about the agency's new resident auditor program. MMS wants to place a federal audit on in each major refinery, but the agency is completely unresponsive as to what the state role will be in the auditing management and collection function.

North Dakota.—Staigle indicated that states are "dead in the water" unless they are provided with a firm and correct definition of fair market value.

New Mexico.—In the absence of an auditor from New Mexico at the meeting, others reported on their understanding of the situation in that state. New Mexico has an excellent computer system for a collection of royalties and taxes from production on state lands. When the state recently ran some federal production data through its computer system, an estimate of $17 million in underpayment of federal royalties was calculated.

Montana.—As Montana had no representative at the meeting, others reported on their understanding of events in that state. Apparently, Montana is about to undertake its first audit of coal production. The state is also experiencing the same problems with the Department of Interior in getting bills or past due royalties sent by MMS.

B. Auditors' Recommendations

In view of the serious problems reported by the state auditors, a series of recommendations was made as to how royalty management and collections could be improved:

1. *Valuation*

Interior regulations need to include a more realistic definition of fair market value. One approach would be to adopt a presumption that the highest price for oil and gas in a field is the fair market value for all production in the field. Producers would then have the burden of proof to show that their production had a fair market value less than that presumed price. In the case of controlled gas, the fair market value would be the ceiling price on that gas.

2. *Account Write-Offs*

The auditors strenuously objected to any effort by the Interior Department to write-off any past due account or to assign it to the states for an insufficient one-year collection period.

3. *Delegations*

Based on the history of the federal royalty management system, and buttressed by the recent incidents reported here, auditors recommend that the Interior Department be forced to make Section 205 delegations to any willing state.

4. *Resident Auditors' Program*

Federal resident auditors should be used to audit offshore production, Indian leases, or those leases in states which do not want delegation or cooperative audit programs. In states that wish delegations or cooperative audits, the resident auditor program should not preclude state participation.

C. Agreement on Action Steps

After discussing the reports and grievances presented by the Western Auditors, members of the Oil and Gas Royalty Committee agreed on the following action steps:

1. *Resolutions*

A resolution on these problems would be prepared and proposed to the full Conference of Western Attorneys General and the National Association of Attorneys General at their meetings during the first week of December.

2. *Balance Write-Offs*

All seven cooperative audit states will join in a letter drafted by Wyoming to the Mineral Management Service contesting its authority and wisdom in writing-off royalty accounts of $100,000 and less. In the event Interior response is unsatisfactory, one or more of the Western States will sue the Department of Interior on this issue.

3. *Valuation*

A similar protest will be made with respect to the Department's valuation proposed for natural gas.

4. *Delegation*

Wyoming will develop a model petition for submission to the Department of Interior seeking a delegation of authority for the management and collection of royalties within that State. This petition will be circulated through the Western Office to all interested states. At present, North Dakota, Colorado, California, Wyoming, and Montana appear to be interested in delegations under Section 205.

5. *Billing Delays*

Wyoming will start the six-month limitation period under the statute by filing a billing request with the Department of Interior, probably in the *Long Butte* case. Other states are encouraged as well to start the timetable running through billing requests to the Department. In the event satisfactory action is not complete within the six-month period, suits will be brought by those states.

6. *Proposed Regulations*

Western States should coordinate their comment on proposed regulations under the Federal Oil and Gas Royalty Management Act once they are formally proposed in the Federal Register. Also, recourse against unsatisfactory regulations should be researched, especially for compliance with the Administrative Procedures Act.

7. *Critique of Advisory Committee Report*

As the Advisory Committee on Minerals Accountability expects to release its final report in early 1984, Western Attorneys General and Auditors should be prepared to issue a critique of the conclusions in that report.

8. *Contact with Washington Officials*

Royalty management and collection mismanagement should be one of the focal issues when the Western Attorneys General meet with administrative and Congressional officials in March. Members of the Committee and Western Auditors should be prepared to assist in the preparation for that meeting and to attend the meetings as well. In particular, efforts should be undertaken to register Western discontent with members of the Senate Energy Committee and the House Interior Committee. Also, a meeting with the Western State office representatives should be scheduled in Washington as well.

V. Announcements

The Subcommittee agreed to meet in Phoenix, Arizona, in conjunction with the Western States Water Council on January 11–13, 1984. On wednesday, January 11, at the Conference will be co-sponsoring an ABA workshop on groundwater, and attendance by Committee members is encouraged. The Litigation Action Committee will formally meet with the Western States Water Council on Thursday, January 12, and Friday morning, January 13. The Litigation Action Committee will meet separately during the afternoon of Friday, January 13, on business items not addressed during the joint meeting with the Water Council. The Subcommittee on Oil and Gas Royalties will meet during the morning of Friday, January 13, at the same location.

No formal decision was made as to whether the Subcommittee should formally meet in Washington, D.C., at the same time as the NAAG Executive Committee, March 25–27, 1984. Members of the Subcommittee, however, are urged to accompany their attorney general to Washington if at all possible.

VI. Adjournment

There being no further business to come before the Subcommittee, the meeting was adjourned at 5:00 p.m.

Respectfully submitted,

JOHN E. THORSON, *Director.*

Onshore Oil and Gas Leasing—BLM

80. The Bureau of Land Management has proposed changes to its simultaneous oil and gas leasing system after having suspended the program in October 1983. In line with these changes, Secretary Clark has pledged more manpower, more intensive training of geologists, and greater use of consulting services in the collection of data. The Department has requested an increase of $7 million over the 1984 level of $75.3 million. Do you believe that the proposed budget increase for onshore oil and gas leasing is sufficient to accommodate an expansion of economic and policy analysis, as well as better data collection?

81. In the 1981 Interior Board of Land Appeals (IBLA) ruled that acquired non-withdrawn lands in the National Wildlife Refuge System were open to oil and gas leasing. Prior to this ruling, all wildlife refuge lands outside Alaska were considered by the Department to be closed to leasing except in cases of drainage or where the Federal Government did not own the subsurface rights.

The U.S. Fish and Wildlife Service estimated that the IBLA decision would affect approximately 1 million acres of the approximately 13 million acres of wildlife refuge lands in the lower 48.

Following publication of regulations governing these proposed leasings in June, 1983, Congress directed the Department to undertake extensive environmental analysis of the proposed development lands as a prelude to any mineral activity and made $500,000 available for that purpose in the FY 1984 budget.

In a January 31 letter to Congressman Sid Yates, Secretary Clark stated: ". . . the Department has no plans to allow oil and gas activity on the wildlife refuges under consideration. Therefore, funds for environmental analysis are now necessary."

Are we to assume that these lands have been withdrawn and are no longer available for leasing? If so, have the requirements of Section 202 of FLPMA been met?

User Fees

82. What assumptions does the FY 85 budget make regarding revenues resulting from the collection of entrance, user, and other fees on the nation's parks and public lands?

83. What new legislative proposals are needed to implement these fee increases? Have these proposals been transmitted to the Congress?

84. Does the Administration plan to raise user fees for the National Park Service, Fish and Wildlife Service, and the Bureau of Land Management again in FY 1985? If so, by how much?

Water Policy

85. On January 24 the President outlined this Administration's current water development policies in a letter to Senator Laxalt.

(a) The President stated that the cost of dam safety work should be borne by the Federal Government. This was a complete reversal of this Administration's previous position. In both the 97th and 98th Congress, the Administration has urged Congress to amend pending dam safety legislation to require non-Federal beneficiaries to repay a significant portion of dam safety costs. Why did the Administration change its position?

(b) The President stated that "the Federal Government has made prior commitments to individual States with regard to water development within their borders." Further on, in describing the Administration's water project financing and cost-sharing policy, the President stated that "Prior commitments to individual States with regard to water development within their borders must be considered and shall be a factor in negotiations leading up to project construction." What constitutes a "prior commitment"? Please list and describe all such "prior commitments."

(c) The President stated that the Federal Government has "Offered States the option of having Federal reserved water rights within their boundaries expeditiously inventoried and quantified to enhance their management capability." Please explain.

86. The Administration has submitted legislation, S.2238, to repeal section 203(b) of the Reclamation Reform Act of 1982. Section 203(b) is the so-called "hammer provision," which states that reclamation farmers must either come under the new law by April 12, 1987 or pay the full cost of reclamation water supplied to leased lands in excess of 160 acres.

(a) The Department's budget highlights state that the Department's 1985 program will emphasize "seeking increased charges for water services to encourage better water use and secure more revenues to cover increasing costs." Isn't it true that S. 2238 would actually prevent the Department from increasing charges for water services?

(b) Some reclamation farmers have argued that section 203(b) is unconstitutional. Do you agree? Please submit any Solicitor's Opinions that have been rendered on this issue. If no Solicitor's Opinion has been rendered, do you plan to request one?

(c) If Congress does not repeal section 203(b), will you vigorously enforce it? Will you vigorously defend it in the courts?

87. The Federal Water Project Recreation Act provides that the Department shall not prepare a feasibility report on a water resource project unless specifically authorized by Congress. However, the Department is no longer using the term "feasibility study" and instead is referring to pre-construction studies as "plan formulation investigations" and "advance planning studies." Does this mean that the Department will no longer seek Congressional authorization for pre-construction studies?

88. The Department is proposing appropriations act language that would treat the costs of advance planning studies as project costs, to be repaid in accordance with the allocation of constructions costs if the project is ever authorized. This proposal is inconsistent with a bill reported by this Committee, S. 622, which contains no provision for repayment. The Department supported S. 622 and did not recommend a repayment provision. Why has the Department changed its position? Will the Department be submitting new legislation on this subject for referral to this Committee?

89. On December 6, 1983, the Department published its final rules and regulations regarding the Reclamation Reform Act of 1982.

(a) The proposed regulations set forth the following standard contract provision to be included in contracts entered into pursuant to the Act: "The parties agree that the delivery of irrigation water pursuant to this contract is subject to Reclamation law, as amended and supplemented, including but not limited to the Reclamation Reform Act of 1982 (Pub. L. 97-293 and the regulations promulgated by the Secretary of the Interior under the authority of that Act." However, in the final regulations, the reference to regulations promulgated by the Secretary has been deleted. The narrative portion of the final regulations explains that there was concern expressed regarding this reference and that the Department agreed to delete it because it is "a redundancy." What concerns were expressed? Why is reference to the regulations redundancy? Will deletion of the reference in any way limit the applicability of the regulations?

(b) The final regulations include an illustrative example of a trust arrangement that was not included in the draft regulations: "Farmer X, a qualified recipient, owns 960 acres eligible to receive irrigation. He decides to place 160 acres of this land in a living trust with his daughter as the life tenant. The 160 acres of trust land shall be counted against the daughter's entitlement." Does this example assume that the daughter is a dependent of Farmer X, as defined in section 202(4) of the Act? If so, this example implies that a farmer may place 960 acres in a living trust for each of his dependent children and also retain 960 acres in his own name. Thus a family of five could effectively own and farm 3,840 acres. Is this the Department's interpretation of the Act?

(c) The proposed regulations provided that an individual in a district that has not amended its contract may receive irrigation water on no more than 160 acres that he owns westwide. The final regulations provide that such an individual may receive irrigation water on no more than 160 acres that he owns in each district, provided that the land was acquired on or before December 6, 1979. According to the narrative portion of the final regulations, December 6, 1979 is the date of a Solicitor's opinion stating that the acreage limitation must be applied on westwide basis. What is the legal basis for exempting lands acquired prior to December 6, 1979 from the westwide rule? How many acres fall within this exemption and where are they located? What is meant when the narrative portion of the final regulations states that this rule "recognizes past practices"? Were the past practices legal?

(d) The proposed regulations provided that landholders of less than five acres or of tracts that produce less than $5,000 or gross annual sales in agricultural commodities are exempt from the certification and reporting requirements of the Act. The final regulations expand this exemption to 40 acres and places no limit on the amount of gross annual sales. What is the legal basis for this exemption? What percentage of Bureau of Reclamation water users are exempted by this regulation? How much water is involved?

(e) The proposed regulations provided that irrigation districts with Small Reclamation project loans which were entered into prior to the date of enactment of the Act must continue to abide by the provisions of that loan contract. However, the final regulations provide that such loan contracts may be amended to conform to the Small Reclamation Projects Act, as amended by the Reclamation Reform Act. What is legal basis for this new interpretation of the Reclamation Reform Act? Why did the Department change its interpretation? Please estimate the amount of foregone revenues that will result from the Department's new interpretation.

Wetlands

90. The legislation that has been reported from the Senate Committee on Environment and Public Works establishing this new acquisition program would transfer Land and Water Conservation Fund monies directly to the wetlands acquisition fund, thus circumventing the Congressional appropriations process. Do you support this approach?

91. The Administration is again proposing no money for the state side of the Land and Water Conservation Fund; the Historic Preservation Program; or the Urban Parks Program. Yet, this year it is recommending $7.5 million for a new state grant program for the acquisition of wetlands. Isn't the existing Land and Water Conservation Fund state grant program adequate for this purpose without creating a new land acquisition program?

QUESTIONS SUBMITTED BY SENATOR BUMPERS

Asset Management (Federal Land Sales)

92. In FY 84, BLM originally requested $18 million for Asset Management. Congress ultimately appropriated $3 million for the program.

93. What is the request for Asset Management—or for all activities supporting public land sales—in FY 85?

94. Secretary Watt announced last summer that the Department of the Interior would no longer be subject to Property Review Board directives regarding disposal of public lands. Is that policy now in effect?

95. How much does the BLM expect to sell in FY 85?

96. Will all of the tracts offered for sale have been identified for disposal in Resource Management Plans or updated Management Framework Plans?

97. Will acreage targets for sales be sent to BLM field offices in FY 84 or FY 85?

Implementation of ANILCA

98. In the FY 81 and 82 budget submissions, a breakdown of funds for implementation of the Alaska National Interest Lands Conservation Act (ANILCA) was provided. This breakdown enabled Congress to examine the allocation of ANILCA funds. In order that the Committee can determine the relative emphasis on development and conservation activities in implementation of the Act, please provide a detailed breakdown of Interior's proposed funding levels for ANILCA in the FY 85 budget.

National Wildlife Refuges

99. Secretary Watt last year directed his National Wildlife Refuge managers to expand the "economic uses" of the refuges. Do you agree with that goal? Is that directive still in effect?

Renewable Resources (BLM)

100. The BLM's budget request for renewable resources (wildlife, recreation, range management, soil/water/air management, forest management, and fire management) declines in FY 85 for the second consecutive year.

(a) What specific activities will be affected by the reduced funding for renewable resources?

(b) Do you think these activities have been too generously funded in the past years?

National Park Service

101. *A-76 Directive.* The National Park Service is reviewing the work needs at selected parks in each of the 10 Parks Service regions under a re-interpretation of OMB's A-76 contracting directive.

(a) I understand that, under the new guidelines, if the review indicate that contracting for a particular function would be more cost-effective in more than 50% of the cases studied, than all parks would be required to contract out for the function. Is that correct?

(b) Is it correct that this policy would apply to all routine maintenance activities as well as those major jobs (construction, road building, etc.) that have routinely been contracted for in the past? Wouldn't requiring park superintendents to take bids for these small jobs limit their flexibility to move personnel around among different projects?

(c) Are the National Park superintendents generally supportive of the new policy?

Onshore Oil and Gas Leasing

102. The budget proposes an increase of about $6 million in FY 85 for the onshore oil and gas leasing program. The budget summary explains that the increase is "primarily for the additional work needed to review and classify Known Geologic Structures" and for other related activities.

(a) BLM officials and BLM internal documents have indicated in recent months that the problems in properly administering the oil and gas lottery have been due to insufficient funding and staffing. Will the proposed increase ensure that BLM has the needed capability to comply fully with the law in administering the program?

(b) Does the Department expect to issue about the same number of noncompetitive oil and gas leases this year as it has in previous years?

(c) Do you expect lottery applications to decrease as a result of the new requirement that first year rental fees must be paid at the time of application? By what percentage?

(d) I understand that the BLM is now going to consider geologic data in delineating KGSs. From what sources will BLM obtain this information? Will extra personnel be assigned to collect the information?

QUESTIONS SUBMITTED BY SENATOR METZENBAUM

103. Could you please provide a breakdown of the department's funding for the Alaska National Interest Lands Conservation Act? In particular, I would like to see how much the department is budgeting for resource development projects and how much is budgeted for implementing and enforcing the conservation provisions of the act.

104. How many persons or companies with contracts to cut timber on BLM Land have asked for contract extensions since the policy of granting five year extensions began last year? What is the value of these contracts? Please provide the names of the company's or individuals seeking contract extension, including the amount and volume of the contract.

105. The budget contains money for dam safety work on six projects. Is this part of your existing authorization? If so, how much money is left under that authorization?

106. A major issue in the dam safety debate is that the delay in authorizing additional funds may create a national disaster in the form of a major dam failure. Obviously, no one wants a dam to fail. Would you identify any dams under your jurisdiction which you believe pose an imminent danger of failing. By imminent, I mean a high probability that absent immediate work, for which no funds are now available, the dam would fail.

107. If a dam is on the verge of failing, do you have any flexibility to deal with that situation either through a reprogramming or some other means?

108. Do you support the amendment proposed by the administration in March, 1983 with respect to repayment of dam safety repair costs? If not, why not?

QUESTIONS SUBMITTED BY SENATOR BRADLEY

109. Your January 30 letter to me seems to indicate that there is no de minimus exception to the Mineral Leasing Act of 1920. In other words, you appear to conclude that, as a matter of law, a corporation may not hold a mineral lease under the 1920 Act if even one share is held by a citizen of a non-reciprocal nation, such as Kuwait. Is this correct interpretation of your letter?

110. Your January 30 letter indicates that in 1982 the Department ceased requiring disclosure of foreign stockholders with regard to oil and gas leases, and instead began requiring a certification regarding foreign stockholders. Why did the Department decide to not require certification of the aggregate amount of stock held by aliens? Do you regard this as a substantial loophole?

111. The February 26, 1982 Federal Register notice announcing the change in the regulations states that "Selective audits will be performed to verify compliance." Have such audits been performed? If so, what have the audits shown?

112. Why did the Department adopt the certification approach with respect to oil and gas, and not with respect to coal or other minerals?

TERMINATING PROGRAMS AND ACTIVITIES

Terminating or due date: January 1, 1984.
Type of program: Recurring Report.
Program or activity: Due date for an annual progress report on a study of the phasing out of grazing privileges at Capitol Reef National Park. (Section 2 of the Act of October 15, 1982, Pub. L. 97-341, 98 Stat. 1639.)
Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.
Subcommittee: House Public Lands and National Parks, and Senate Public Lands and Reserved Water.
Organization: Department of the Interior.
Statutes-at-large: 98 Stat 1639.
U.S. Code: 18 U.S.C. 273b note.
Public law number: P.L. 97-341.
Public law approved: 10/15/82, October 15, 1982.
Originating legislation: S. 1872.
Terminating or due date: January 1, 1984.
Type of program: Program Requirement.
Program or activity: Due date for the submission of a general management plan for Wolf Trap Farm Park to the Committee on Interior and Insular Affairs and the Committee on Energy and Natural Resources. (The Act of October 14, 1982, Pub. L. 97-310, 96 Stat.)
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Organization: Department of the Interior.
U.S. Code: 16 USC 284.
Public law number: P.L. 97-310.
Public Law approved: October 10, 1982. Originating Legislation: H.R. 7293.
Terminating or due date: December 31, 1983.
Type of program; Program Authority.
Program or activity: Expiration, with specified exceptions, of the period during which certain motorboats, snowmobiles, and other motorpowered vehicles may be used in designated portions of the Boundary Waters Canoe Area Wilderness. (Section 4 of the Act of October 21, 1978, Pub. L. 95-495, 92 Stat. 1650.)
Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.
Subcommittee: House Public Lands and National Parks, and Senate Parks, Recreation and Renewable Resources.
Organization: Department of the Interior.
Statutes-at-large: 92 Stat 1650.
Public law number: P.L. 95-495.
Public Law approved: October 21, 1978.
Originating legislation: H.R. 12250.
Terminating or due date: October 18, 1983.
Type of program: Program Requirement.
Program or activity: Target date for the acquisition of non-Federal lands for the Rattlesnake Wilderness Area. (Section 4(d)(1) of the Rattlesnake National Area and Wilderness Act of 1980.)
Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.
Subcommittee: House National Parks and Insular Affairs, and Senate Parks, Recreation and Renewable Resources.
Organization: Department of the Interior.
Statutes-at-large: 94 Stat 2273.
U.S. Code: 16 USC 460 11-3.
Public law number: P.L. 96-478.
Public Law approved: October 19, 1980.
Originating legislation: S. 3072.
Terminating or due date: October 18, 1983.
Type of program: Program Requirement.
Program or activity: Target date for the completion of the exchange of bidding rights for the private lands or interest authorized by the Rattlesnake National Recreation Area and Wilderness Act of 1980. (Section 4(b)(4) of the Rattlesnake National Area and Wilderness Act of 1980.)
Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.

Subcommittee: House National Parks and Insular Affairs, and Senate Parks, Recreation and Renewable Resources.
Organization: Department of the Interior.
Statutes-at-larger: 94 Stat. 2273.
U.S. Code: 16 U.S.C. 460 11-3.
Public law number: P. L. 96-478.
Public law approved: October 19, 1980
Originating legislation: S. 3072.
Terminating or due date: October 1, 1983.
Type of program: One-time Report.
Program or activity: Due date of a comprehensive general management plan for the Martin Luther King, Junior, National Historic Site, and Preservation District. (Section 8 of the Act of October 10, 1980, Pub. L. 96-428, 94 Stat. 1839.)
Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.
Subcommittee: House National Parks and Insular Affairs, and Senate Parks, Recreation and Renewable Resources.
Organization: Department of the Interior.
Statutes-at-larger: 94 Stat. 1843.
Public law number: P. L. 96-428.
Public law approved: October 10, 1980.
Originating legislation: H.R. 7218.
Terminating or due date: September 30, 1983.
Type of program: One-time Report.
Program or activity: Due date for a report by the Secretary of the Interior, in consultation with the Secretary of Transportation, on strategies for public access to the Indians Dunes Lakeshore Area. (Section 21(g) of the Act of November 5, 1966, Pub. L. 89-761, 80 Stat. 1309, as added by the Act of December 28, 1980, Pub. L. 96-612, 94 Stat. 3577.)
Committee: House Agriculture House Interior and Insular Affairs, and Senate Energy and Natural Resources.
Subcommittee: House Forest, Family Farms, and Energy, House National Parks and Insular Affairs, and Senate Parks, Recreation and Renewable Resources.
Organization: Department of the Interior.
Statutes-at-large: 94 Stat. 3577.
U.S. Code: 16 U.S.C. 460u-21.
Public law number: P. L. 96-812.
Public law approved: December 28, 1980.
Originating legislation: S. 2281.
Terminating or due date: September 30, 1983.
Type of program: One-time Report.
Program or activity: Date by which the Secretary of the Interior must transmit a report of his investigation of archeological sites illustrating the prehistoric Hopewellian civilization of the Eastern United States to the Committees on Interior and Insular Affairs and Energy and Natural Resources. (Section 701(c) of the Act of December 28, 1980, Pub. L. 96-607, 94 Stat. 3539.)
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: Senate Parks, Recreation and Renewable Resources.
Organization: Department of the Interior.
Statutes-at-large: 94 Stat 3541.
Public law number: P.L. 96-607.
Public law approved: December 28, 1980.
Originating legislation: H.R. 2363.
Terminating or due date: September 30, 1983.
Type of program: Authorization of Appropriations.
Program or activity: Authorization of appropriations for the disposal of certain Federal lands in Clark County, Nevada and for the acquistion of lands in the Lake Tahoe Basin. (Section 3(g) of the Act of December 23, 1980, Pub. L. 98-586, 94 Stat. 3381.)
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.
Organization. Department of the Interior.
Statutes-at-large: 94 Stat 3385.
Public law number: P.L.98-586.

Public law approved: December 23, 1980.
Originating legislation: H.R. 7306.
Terminating or due date: September 30, 1983.
Type of program: Program Requirement.
Program or activity: Deadline for the purchase of specified lands in Colorado by the Secretary of the Interior, such lands being subject to reversion within the boundary of Rocky Mountain National Park. (Section 111(e) of the Colorado Wilderness Act of 1980.)
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: House Public Lands and National Parks; and Senate Energy and Natural Resources.
Organization: National Park Service, Department of the Interior.
Statutes-at-large: 94 Stat 3272.
Public law number: P.L. 96-560.
Public law approved: December 22, 1980.
Originating legislation: H.R. 5487.
Terminating or due date: September 30, 1983.
Type of program: One-time Report.
Program or activity: Date by which the Secretary of the Interior shall transmit a report to the appropriate Senate and House committees concerning the protection and use of Dekorte State Park. (Section 3 of the Manassas National Battlefield Park Amendments of 1980.)
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: House Public Lands and National Parks; House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.
Organization: Department of the Interior.
Statutes-at-large: 94 Stat 1887.
U.S. Code: 18 USC 480cc.
Public law number: P.L. 98-442.
Public law approved: October 13, 1980.
Originating legislation: H.R. 5048.
Terminating or due date: September 30, 1983.
Type of program: Program Requirement.
Program or activity: Date by which the Secretary of the Interior shall acquire certain property for the Manassas National Park Battlefield Park. (Act of April 17, 1954, Pub. L. 83-338, 68 Stat. 56, as amended by section 2 of the Manassas National Battlefield Park Amendments of 1980.)
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: House Public Lands and National Parks; House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.
Organization: National Park Service, Department of the Interior.
Statutes-at-large: 94 Stat 1887.
U.S. Code: 18 USC 429b-4.
Public law number: P.L. 98-442.
Public law approved: October 13, 1980.
Originating legislation: H.R. 5048.
Terminating or due date: September 30, 1983.
Type of program: One-time Report.
Program or activity: Deadline for review and report by the Secretary of the Interior to the President and the Congress on areas within Fort Jefferson National Monument suitable for designation as wilderness. (Section 203 of the Act of June 28, 1980, Pub. L. 98-287, 94 Stat. 599.)
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.
Organization: National Park Service, Department of the Interior.
Statutes-at-large: 94 Stat 601.
U.S. Code: 16 USC 1132.
Public law number: P.L. 98-287.
Public law approved: June 28, 1980.
Originating legislation: H.R. 5928.
Terminating or due date: September 30, 1983.
Type of program: One-time Report.

Program or activity: Deadline for development and transmission of a comprehensive general management plan for Fort Jefferson National Monument by the Secretary of the Interior to the House Committee on Interior and Insular Affairs and the Senate Committee on Energy and Natural Resources. (Section 202 of the Act of June 28, 1980, Pub. L. 96-287, 94 Stat. 599.)

Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.

Subcommittee: House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.

Organization: National Park Service, Department of the Interior.

Statutes-at-large: 94 Stat 801.

U.S. Code: 18 USC 1a-7.

Public law number: P.L. 98-287.

Public law approved: June 28, 1980.

Originating legislation: H.R. 5928.

Terminating or due date: September 30, 1983.

Type of program: One-time Report.

Program or activity: Deadline for review and report by the Secretary of the Interior to the President and Congress as to suitability of any area within the Biscayne National Park for designation as wilderness. (Section 104 of the Act of June 28, 1980, Pub. L. 96-287, 94 Stat. 599.)

Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.

Subcommittee: House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.

Organization: National Park Service, Department of the Interior.

Statutes-at-large: 94 Stat 600.

U.S. Code: 18 USC 410gg-3.

Public law number: P.L. 98-287.

Public law approved: June 28, 1980.

Originating legislation: H.R. 5926.

Terminating or due date: September 30, 1983.

Type of program: Program Requirement.

Program or activity: Deadline for the substantial completion of the land acquisition program for the Biscayne National Park by the Secretary of the Interior. (Section 102(b) of the Act of June 28, 1980, Pub. L. 96-287, 94 Stat. 599.)

Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.

Subcommittee: House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.

Organization: National Park Service; and Department of the Interior.

Statutes-at-large: 94 Stat 599.

U.S. Code: 18 USC 410gg-1.

Public law number: P.L. 98-287.

Public law approved: June 28, 1980.

Originating legislation: H.R. 5926.

Terminating or due date: September 30, 1983.

Type of program: Authorization of Appropriations.

Program or activity: Authorization to appropriate funds for the Advisory Council on Historic Preservation. Extended from September 30, 1980. (Section 212 of the Act of October 15, 1966, Pub. L. 93-514, 80 Stat. 915, as amended by Section 2 of the Act of May 19, 1980, Pub. L. 98-244, 94 Stat. 346.)

Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.

Subcommittee: House National Parks and Insular Affairs.

Organization: Advisory Council on Historic Preservation.

Statutes-at-large: 94 Stat 346.

U.S. Code: 16 USC 470t.

Public law number: P.L. 96-244.

Public law approved: May 19, 1980.

Originating legislation: H.R. 128.

Terminating or due date: September 30, 1983.

Type of program: One-time Report.

Program or activity: Deadline for the Secretary of the Interior to submit to the President recommendations as to the suitability or nonsuitability of any area within the Channel Islands National Park, California for designation as wilderness. (Section 206 of the Act of March 5, 1980, Pub. L. 96-199, 94 Stat. 67.)

Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.

Subcommittee: House National Parks and Insular Affairs; and Senate Parks, Recreation and Renewable Resources.

Organization: Department of the Interior.

Statutes-at-large: 94 Stat 77.

U.S. Code: 16 USC 410ff-5.

Public law number: P.L. 96-199.

Public law approved: March 5, 1980.

Originating legislation: H.R. 3757.

Terminating or due date: September 30, 1983.

Type of program: One-time report.

Program or activity: deadline for the Secretary of the Interior to submit to the House Committee on Interior and Insular Affairs and the Senate Committee on Energy and Natural Resources a comprehensive general management plan for the Channel Islands National Park, California. (Section 204(c)(1) of the Act of March 5, 1980, Pub. L. 96-199, 94 Stat. 67.)

Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.

Subcommittee: House National Parks and Insular Affairs; Senate Parks, Recreation and Renewable Resources.

Organization: National Park Service, Department of the Interior.

Statutes-at-large: 94 Stat 76.

Public law number: P.L. 96-199.

Public law approved: March 5, 1980.

Originating legislation: H.R. 3757.

Terminating or due date: September 30, 1983.

Type of program: Authorization of Appropriations.

Program or activity: Authorization of appropriations for the Pennsylvania Avenue Development Corporation.Extended from September 30, 1978. (Section 101 of the Act of November 10, 1978, Pub. L. 95-629, 92 Stat. 3635.)

Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.

Organization: Pennsylvania Avenue Development Corporation, District of Columbia.

Statutes-at-large: 92 Stat 3636.

U.S. Code: 40 USC 885.

Public law number: P.L. 95-629.

Public Law approved: November 10, 1978.

Originating legislation: S. 1829.

Terminating or due date: September 30, 1983.

Type of program: Authorization of Appropriations.

Program or activity: Authorization to appropriate funds for the urban park and recreation recovery program. (Section 1013 of the Urban Park and Recreation Recovery Act of 1978, Title X of the National Parks and Recreation Act of 1978.)

Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.

Subcommittee: House Public Lands and National Parks; and Senate Parks, Recreation and Renewable Resources.

Organization: Department of the Interior.

Statutes-at-large: 92 Stat 3544.

U.S. Code: 16 USC 2512.

Public law number: P.L. 95-625.

Public Law approved: November 10, 1978.

Originating legislation: S. 791.

Terminating or due date: September 30, 1983.

Type of program: Authorization of Appropriations.

Program or activity: Authorization to appropriate funds for the survey and preservation by the Secretary of the Interior of significant scientific, prehistorical, or archeological data threatened with loss or destruction by a Federal or federally-licensed project or activity. (Section 7 of the Act of June 27, 1960, Pub. L. 66-523, 74 Stat. 220, as amended by section 603 of the National Parks and Recreation Act of 1978.)

Committee: House Interior and Insular Affairs, and Senate Energy and Natural Resources.

Subcommittee: House Public Lands and National Parks; and Senate Parks, Recreation and Renewable Resources.

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Organization: National Park Service, Department of the Interior.
Statutes-at-large: 92 Stat 3518.
U.S. Code: 16 USC 469c.
Public law number: P.L. 95-625.
Public Law approved: November 10, 1978.
Originating legislation: S. 791.
Terminating or due date: September 30, 1983.
Type of program: Authorization of Appropriations.
Program or activity: Authorization to appropriate funds for the acquisition of lands, waters, and interests therein for the Santa Monica Mountains National Recreation Area, California. (Section 507(r) of the National Parks and Recreation Act of 1978).
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: House Public Lands and National Parks; and Senate Parks, Recreation and Renewable Resources.
Organization: National Park Service, Department of the Interior.
Statutes-at-large: 92 Stat 3507
U.S. Code: 16 USC 460kk(r).
Public law number: P.L. 95-625
Public law approved: November 10, 1978.
Originating legislation: S. 791.
Terminating or due date: August 18, 1983.
Type of program: Study.
Program or activity: Deadline for the Secretary of the Interior, through the Director of the National Park Service, to transmit to Congress a study of areas and sites associated with the campaign in the Pacific during World War II as possible additions to the War in the Pacific National Historical Park, (Section 6 of the Act of August 18, 1978, Pub. L. 95-348, 92 Stat. 493).
Committee: House Interior and Insular Affairs; and Senate Energy and Natural Resources.
Subcommittee: House National Parks and Insular Affairs and Senate Parks, Recreation and Renewable Resources.
Organization: National Park Service, Department of the Interior.
Statutes-at-large: 92 Stat 493
U.S. Code: 16 USC 410cc.
Public law number: P.L. 95-348
Public law approved: August 18, 1978.
Originating legislation: S. 2821.
Terminating or due date: December 2, 1983.
Type of program: One-time Report.
Program or activity: Deadline for the Secretary of the Interior to report to the President on the results of a study on the desirability of establishing a Denali Scenic Highway. (Section 1311(d) of the Alaska National Interest Lands Conservation Act).
Committee: House Interior and Insular Affairs; House Merchant Marine and Fisheries; and Senate Energy and Natural Resources.
Subcommittee: House Fisheries and Wildlife Conservation and the Environment.
Organization: Department of the Interior.
Statutes-at-large: 94 Stat 2482
U.S. Code: 16 USC 3200.
Public law number: P.L. 96-487
Public law approved: December 2, 1980.
Originating legislation: H.R. 39.
Terminating or due date: December 2, 1983.
Type of program: One-time Report.
Program or activity: Deadline for the Secretary of the Interior to prepare and submit to Congress a comprehensive and systematic cooperative management plan for the development and conservation of lands in the Bristol Bay Cooperative Region of Alaska, if the State does not participate in the development of such plan. (Section 1203(d) of the Alaska National Interest Lands Conservation Act.)
Committee: House Interior and Insular Affairs, House Merchant Marine and Fisheries, and Senate Energy and Natural Resources.
Subcommittee: House Fisheries and Wildlife Conservation and the Environment.
Organization: Department of the Interior.
Statutes-at-large: 94 Stat. 2471.
U.S. Code: 18 USC 3183.

Public law number: P.L. 96-487.
Public law approved: December 2, 1980.
Originating legislation: H.R. 39.
Terminating or due date: December 2, 1983.
Type of program: One-time Report.
Program or activity: Due date for a report by the Secretary of the Interior and the Alaska Land Use Council on the resources of the Kantishna Hills and Dunkle Mine areas of the Mount McKinley National Park. (Section 202(3)(b) of the Alaska National Interest Lands Conservation Act.)
Committee: House Interior and Insular Affairs; House Merchant Marine and Fisheries; and Senate Energy and Natural Resources.
Subcommittee: House Fisheries and Wildlife Conservation and the Environment.
Organization: Alaska Land Use Council, Department of the Interior.
Statutes-at-large: 94 Stat. 2383.
U.S. Code: 18 USC 410hh-1.
Public law number: P.L. 96-487.
Public law approved: December 2, 1980.
Originating legislation: H.R. 39.
Terminating or due date: December 2, 1983.
Type of program: Program Requirement.
Program or activity: Date by which the Secretary of the Interior shall prepare plans for not less than five wildlife refuges within Alaska. (Section 304(g)(6)(A) of the Alaska National Interest Lands Conservation Act.)
Committee: House Interior and Insular Affairs; House Merchant Marine and Fisheries, and Senate Energy and Natural Resources.
Subcommittee: House Fisheries and Wildlife Conservation and the Environment.
Organization: National Park Service, Department of the Interior.
Statutes-at-large: 94 Stat. 2395.
Public law number: P.L. 96-487.
Public law approved: December 2, 1980.
Originating legislation: H.R. 39.

APPENDIX I

ATTACHMENTS TO SECRETARY CLARK'S PREPARED STATEMENT

DEPARTMENT of the INTERIOR
news release

OFFICE OF THE SECRETARY

(Please see attached sheet for call back names and numbers)

EMBARGOED FOR RELEASE UNTIL NOON (EST) FEBRUARY 1, 1984

PARK AND WILDLIFE LANDS, WESTERN WATER PROJECTS, RESTORATION OF ABANDONED MINED LANDS HIGHLIGHT INTERIOR'S NEW BUDGET

Land acquisition for national parks and wildlife areas, construction funds for five "new start" Western water projects, and more funding for States to restore scarred, abandoned coal mine sites are highlights of the Interior Department's fiscal year 1985 budget request announced by Secretary of the Interior William Clark today.

In addition, the Park Restoration and Improvement Program would continue to improve facilities used by national park visitors; Indian tribes would receive boosts for economic development, and water rights settlements; and $6 million is earmarked to study the effectiveness of methods to restore acid-damaged lakes and their fish populations.

Endangered species would receive additional help through recovery programs, research, and accelerated listing; the Accelerated Refuge Maintenance and Management program would be bolstered further; and added emphasis would be put on improved management of Federal and Indian oil and gas leases and the systems for managing royalties from them.

The Department's FY 1985 budget request of $6.5 billion is approximately $100 million less than the $6.6 billion estimated for FY 1984.

National Park land acquisition is budgeted at $[illegible]00 million for FY 1985, a major increase over the $54.7 million requested by the Administration in its FY 1984 budget a year ago and $7.5 million more than appropriated by Congress.

No funding is proposed for grants-in-aid to States for park development or acquisition projects, but substantial amounts would go for helping to round out existing national park areas such as the Appalachian National Scenic Trail, Big Cypress and Big Thicket National Preserves, Santa Monica Mountains and Cuyahoga Valley National Recreation Areas, Sleeping Bear Dunes National Lakeshore, and for Redwood National Park to relocate a major highway away from a scenic and heavily visited area of the park. Also, $10 million is included to acquire privately owned tracts within the boundaries of older areas of the National Park System.

(more)

In addition, Secretary Clark announced plans to continue the highly successful Park Restoration and Improvement Program (PRIP) begun in FY 1982 to upgrade and improve facilities used by national park visitors. The program has resulted in major improvements to water and sewer systems, public buildings, and park roads and trails. It has provided funding to perform urgently needed preservation work on important and often irreplaceable cultural and natural resources in the parks.

The 1985 budget requests $257.3 million to continue PRIP, including $100 million to come from the Highway Trust Fund for rehabilitation of park roads and bridges. Initially billed as a five-year, $1 billion program, the 1985 budgeted amount would bring the four-year total for PRIP to $994 million, virtually attaining the $1 billion target a full year ahead of schedule.

The U.S. Fish and Wildlife Service, which requested no money for land acquisition for FY 1984, seeks $57.5 million for FY 1985 for land acquisition for refuges and wetlands, an increase of $15.2 million over the amount appropriated by Congress for FY 1984. The entire $57.5 million would come from the Land and Water Conservation Fund, in three categories: $30 million to acquire lands for wildlife refuges, with more than one-third of this acreage to protect endangered and threatened species; $20 million for acquisition of important wetlands; and $7.5 million to help states in wetlands acquisition. All this would be in addition to $16 million for refuge and waterfowl production area acquisition authorized by the Migratory Bird Conservation Commission and funded with receipts from Federal "duck stamp" sales.

The boost in wetlands funding is particularly important in stemming the loss of wetlands. Wetlands provide the habitat essential for the breeding, spawning, nesting, migration, wintering and survival of a major portion of the Nation's migrating and resident fish and wildlife.

Overall, the Bureau of Reclamation's budget for FY 1985 would total $1.09 billion, an increase of $112 million over total estimated appropriations for the current fiscal year.

The five Bureau of Reclamation construction new starts to be funded in the FY 1985 budget are mostly for hydroelectric power projects. They include three projects expected to receive initial funding in FY 1984 supplemental appropriation measures. These are the enlargement of Buffalo Bill Dam and Powerplant in Wyoming; construction of power generating facilities at Headgate Rock Dam for the Colorado River Indian Reservation in Arizona; and the Santa Margarita Project to augment southern California water supplies including needed water supplies for the Marine Corps' base at Camp Pendleton. All three projects would receive continuing appropriations in FY 1985.

Two additional new starts would be funded beginning in 1985--the uprating of existing generators and construction of other facilities at Hoover Dam in southern Nevada, and the enlargement of Palisades Powerplant on the Snake River in southeastern Idaho.

Project beneficiaries will bear a part of the cost of proposed project developments, but their share will be worked out on a project-by-project basis, consistent with the policy recently announced by the President.

(more)

Construction would continue at high levels of activity on such major ongoing projects as Central Arizona, Central Utah, Central Valley, Columbia Basin, and Dolores. The Garrison Diversion Unit in North Dakota would receive a boost for continued work on the Lonetree Dam and Reservoir, New Rockford Canal, Oakes Test Area and associated works. Another increase would be given the Brantley Project in New Mexico to begin construction of Brantley Dam.

The Reclamation General Investigations Program will continue to emphasize municipal and industrial water supplies, irrigation service, and water quality. Priority will be given to projects with high potential for development, strong local support, and high potential for non-Federal financial support. The FY 1985 program provides for nine new project investigations and six new advance planning studies.

The Administration is requesting $105 million for the Payment in Lieu of Taxes program (PILT) for payments to counties containing Federal lands. This will provide full funding under current statutes.

States and counties also are expected to receive $662 million from Interior in FY 1985 as their statutory share of receipts from such sources as onshore mineral leasing, timber sales, and grazing fees within their borders. This would be $105 million less than in FY 1984, when the States will be receiving their share of 17 months of Federal mineral leasing receipts in a one-time-only shift from semi-annual to monthly payments.

Overall, total receipts from the Interior Department's activities are estimated to exceed its requested budget authority by about $4 billion in FY 1985. Receipts from Outer Continental Shelf (OCS) leasing ($7.4 billion), from onshore mineral leasing ($1.4 billion) and from other sources ($1.5 billion) are expected to total $10.3 billion. The FY 1985 OCS leasing receipts are expected to be about $1.3 billion lower than in FY 1984, primarily because less leasing is scheduled in established producing areas, such as the Gulf of Mexico, than in 1984. Onshore mineral leasing receipts are expected to resume a gradual increase during FY 1984, and to rise above this year's totals by an additional $100 million in FY 1985.

The FY 1985 budget for the Bureau of Indian Affairs continues to carry out the President's Indian policy to foster tribal self-government and promote economic development on reservations. The economic development program begun in FY 1983 has successfully attracted $20 million in private capital with only $5 million in Federal costs. The FY 1985 budget proposes to double the amount of Federal spending provided in FY 1984 to try to attract another $30 to $40 million in private sector financing to help develop Indian businesses. The economies of the Papago and Ak Chin communities in Arizona also would be boosted by funding for the construction of irrigation systems as part of their water rights settlements. The budget proposes supplemental funding of $17 million in FY 1984 for the Ak Chin community and $4.3 million in FY 1985 for the Papago Tribe.

(more)

The Bureau's education program will continue to meet the needs of all students who desire to attend other Bureau schools or tribally contracted schools. During FY 1985 all remaining Bureau of Indian Affairs schools in Alaska would be transferred to the State of Alaska in keeping with the single education system envisioned in the State's Constitution.

The Office of Surface Mining is requesting $291.7 million to reclaim abandoned mined lands, a net increase of $20.5 million. Of this total, $263 million would go to 23 coal mining States in non-matching grants (an increase of $27.1 million over FY 1984). The increase recognizes the growing capabilities of the States to carry out needed restoration of the abandoned mines. This program is funded by a levy on every ton of coal produced, as mandated by the Surface Mining Control and Reclamation Act of 1977. Revenues into the Abandoned Mine Reclamation Fund are estimated at $207.2 million in FY 1984 and $218.6 million in FY 1985. The Department's policy is to draw down these monies as quickly as the coal States can effectively use the funds in their reclamation work.

The Bureau of Land Management's oil and gas leasing program would be funded in FY 1985 at $43.2 million, an increase of $6 million, primarily for increased inspection and enforcement activities on producing onshore leases. The Minerals Management Service royalty management program would receive $39.9 million, a $5 million increase, to improve the royalty compliance efforts and to continue acquisition of new Automatic Data Processing hardware.

The U.S. Geological Survey's Digital Cartography program would be increased by $3.3 million to $11.3 million in FY 1985 to provide for continued production of the data base required for the 1990 National Census.

x x x

PRESS CONTACTS FOR FURTHER INFORMATION REGARDING INTERIOR'S FY 1985 BUDGET

(Area codes need not be used from Washington, D.C., unless indicated below)

AGENCY	NAMES OF CONTACTS	OFFICE PHONE	HOME PHONE
Office of Budget, Department of the Interior	Bill Klostermeyer	343-5308	451-8037
	Kristine Marcy	343-5415	333-3138
	Austin Burke	343-4965	437-5022
	Waite Waller	343-4211	654-8082
	Bob Lamb	343-8077	229-6924
Minerals Management Service	Tom DeRocco	343-3983	933-4925
	Ted Saunders	860-7526	281-4119
National Park Service	Duncan Morrow	343-7394	321-7128
	C. Bruce Sheaffer	343-4566	321-9266
Bureau of Reclamation	Jess Pepple	343-4691	860-2530
	Paul Hauffe	343-8411	281-3238
Geological Survey	Donovan Kelly	860-7444	(703) 338-4044
	David Seyler	860-7217	(703) 437-8354
Fish and Wildlife Service	Mike Smith	343-4895	323-7895
	Jim Leupold	343-2444	525-1438
Office of Surface Mining	J. P. Crumrine	343-4926	333-9145
	Larry Finfer	343-4926	544-1343
Bureau of Indian Affairs	Tom Stangl	343-3627	437-6148
	Carl Shaw	343-4576	546-6107
Bureau of Land Management	Roger Hildebeidel	343-3516	354-2683
	Elizabeth Morris	343-9435	483-4260
Bureau of Mines	Bob Swenarton	634-1001	946-3491
	Dick Laulor	634-1325	823-9214
Office of Territorial Affairs	Larry Morgan	343-4707	649-6267
	David Heggestad	343-6971	978-6949

DEPARTMENT OF THE INTERIOR

Budget Authority and Outlays

(In thousands of dollars)

Bureau/Office	Budget Authority 1983 Actual	Budget Authority 1984 a/ Estimate	Budget Authority 1985 Estimate	Outlays 1983 Actual	Outlays 1984 Estimate	Outlays 1985 Estimate
LAND AND MINERALS MANAGEMENT						
Bureau of Land Management	1,141,919	612,361	608,856	1,162,825	610,210	608,388
Minerals Management Service	182,127	879,437	766,496	119,024	909,696	765,788
Office of Surface Mining	274,062	341,923	361,390	163,473	209,686	253,479
Total, Land and Minerals Management	1,598,108	1,833,721	1,736,742	1,445,322	1,729,592	1,627,655
WATER AND SCIENCE						
Bureau of Reclamation	922,505	983,036	1,094,781	834,872	971,585	1,022,974
Geological Survey	378,184	395,430	392,312	440,418	453,564	392,003
Bureau of Mines	145,207	138,125	118,134	142,466	148,616	125,898
Total, Water and Science	1,445,896	1,516,591	1,605,227	1,417,756	1,573,795	1,540,875
FISH AND WILDLIFE AND PARKS						
Fish and Wildlife Service	496,411	513,530	529,791	469,687	519,113	523,884
National Park Service	1,080,146	935,018	840,911	1,007,988	1,120,988	1,031,524
Total, Fish and Wildlife and Parks	1,576,557	1,448,548	1,370,702	1,477,675	1,640,101	1,555,408
INDIAN AFFAIRS						
Bureau of Indian Affairs	1,626,527	1,460,192	1,479,173	1,501,646	1,525,459	1,504,255
TERRITORIAL & INTERNATIONAL AFFAIRS						
Territorial & International Affairs	237,392	253,209	212,961	259,366	273,760	245,965
DEPARTMENTAL OFFICES						
Office of the Secretary	51,601	45,488	47,371	35,834	71,045	47,873
Office of the Solicitor	19,551	19,683	20,157	19,866	19,852	19,943
Office of the Inspector General	21,900	17,201	18,053	16,166	25,614	18,473
Total, Departmental Offices	93,052	82,372	85,581	71,866	116,511	86,289
TOTAL, DEPARTMENT OF THE INTERIOR	6,577,532	6,594,633	6,490,386	6,173,631	6,859,188	6,560,447

a/ Includes appropriations enacted to date and 1984 supplementals totaling $101 million in budget authority and $112 million in outlays proposed in the 1985 Budget.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

FISCAL YEAR 1985 BUDGET SUMMARY

HOLD FOR RELEASE

NOT FOR RELEASE OR REFERENCE TO CONTENTS

UNTIL RELEASE OF THE

FY 1985 PRESIDENT'S BUDGET

12:00 P.M. EST., WEDNESDAY, FEBRUARY 1, 1984

HOLD FOR RELEASE

DEPARTMENT OF THE INTERIOR

FY 1985 BUDGET SUMMARY

TABLE OF CONTENTS

	Page No.
Budget Authority and Outlays	1
Comparison of 1984 and 1985 Budget Authority, Outlays and Receipts	2
Bureau of Land Management	3
Minerals Management Service	5
Office of Surface Mining, Reclamation and Enforcement	7
Geological Survey	9
Bureau of Mines	12
Fish and Wildlife Service	14
National Park Service	18
Bureau of Indian Affairs	22
Territorial and International Affairs	30
Bureau of Reclamation	33
Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority	38
Current Estimate of Receipts	49
FY 1984 Deferrals and Rescissions	50
FY 1984 Supplemental Appropriation Requests	51
FY 1984 Transfers	52
Authorizing Legislation Required for FY 1985	53

DEPARTMENT OF THE INTERIOR

Budget Authority and Outlays

(In thousands of dollars)

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a/ Includes appropriations enacted to date and 1984 supplementals totaling $101 million in budget authority and $112 million in outlays proposed in the 1985 Budget.

DEPARTMENT OF THE INTERIOR

COMPARISON OF 1984 AND 1985 BUDGET AUTHORITY, OUTLAYS AND RECEIPTS

(In millions of dollars)

	1984 a/	1985	Change
BUDGET AUTHORITY			
Total Budget Authority	6,594	6,490	-104
Mandatory Programs	1,540	1,487	-53
Discretionary Programs	5,054	5,003	-51
OUTLAYS			
Total Outlays	6,859	6,560	-299
Mandatory Programs	1,549	1,488	-61
Discretionary Programs	5,310	5,072	-238
RECEIPTS			
Total Receipts	10,969	10,287	-682
Outer Continental Shelf	8,700	7,400	-1,300
On-shore Mineral Leasing	1,310	1,428	+118
Other Receipts	959	1,459	+500

a/ Appropriations enacted to date and 1984 supplementals totaling $101 million in budget authority and $112 million in outlays proposed in the 1985 Budget.

Department of the Interior's Program
for the
Bureau of Land Management 1985

The FY 1985 Budget Estimate for the Bureau of Land Management (BLM) is $608.9 million, a decrease of $3.5 million from the FY 1984 appropriated level. The Bureau is requesting $353.2 million for Management of Lands and Resources (MLR), which is the Bureau's principal operating appropriation. This appropriation includes funds for onshore energy and minerals management, lands and realty management, renewable resources management, planning and data management, cadastral survey, firefighting and rehabilitation, technical services and general administration.

The Bureau is currently responsible for the conservation, management and development of 310 million acres of public lands, including 135 million acres in Alaska. Of these, 60 million acres in Alaska will ultimately be conveyed to other parties (Alaska Natives, the State of Alaska, and other agencies). The BLM also has full responsibility for mineral leasing and supervision of minerals operations on the public lands and on some 370 million acres of Federal mineral estate underlying other ownerships.

The FY 1985 estimate reflects the Bureau's continuing efforts to encourage private investment and volunteerism and to work with State and local governments and private users to share in the funding and administration of various activities of predominantly local interest. Livestock operators are being encouraged to undertake range improvements on public lands using private funds, and State wildlife agencies and interest groups are being encouraged to carry out necessary habitat improvement and maintenance work.

The $82.3 million requested for onshore energy and minerals management is an increase of $7 million over the FY 1984 appropriation. The increase is primarily for the additional work needed to review and classify Known Geological Structures (KGS), to expand the Bureau's economic and policy analysis capabilities, and to carry out post-lease work such as expedited processing of applications for permits to drill and more intensive inspection and enforcement efforts.

The Administration is requesting $105 million for the payment in lieu of taxes program (PILT) for payments to counties containing Federal lands. This will provide full funding under current statutes. The Budget Estimate also includes $70.6 million in Miscellaneous Permanent Appropriations, most of which are paid to States and counties, and Trust Funds.

With regard to the Oregon and California Forest Management program, a renewable resource program funded under a separate appropriation, $49.7 million is being requested for BLM-administered lands. The Forest Service is requesting direct appropriation for the O&C lands they administer.

This budget request includes no funds for either land acquisition or new construction projects. However, it does include a new account entitled Special Acquisition for Lands and Minerals that has been established to account for the issuance and use of monetary credits or bidding rights authorized by Congress for acquisition of non-Federal interests in the Rattlesnake NRA and Wilderness Area and the Cranberry Wilderness Area. In the case of the Cranberry Wilderness Area of West Virginia, Public Law 97-466 authorizes the purchase of non-Federal coal deposits and other mineral interests and rights in and contiguous with the Wilderness Area in cash or the equivalent in monetary credits. The FY 1985 request includes $10 million for this purpose.

The budget request also includes a FY 1984 supplemental in the amount of $38.2 million to cover the costs of fighting fires on public lands in FY 1983. Funding to cover these firefighting costs was borrowed from other Interior Department appropriations and will be repaid to those appropriations when the supplemental request is enacted.

In FY 1985, the BLM estimates they will collect $288.9 million in receipts from timber sales, sale of lands and vegetative products, grazing fees, and miscellaneous sources. This is an increase of $20.3 million over the estimated receipts of $268.6 million from these same sources in FY 1984.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
MINERALS MANAGEMENT SERVICE
Fiscal Year 1985

The Minerals Management Service (MMS) has responsibility for two major programs: Leasing and management of mineral resources on the Outer Continental Shelf (OCS), and the collection and disbursement of royalties and other mineral revenues from Federal, Indian, and OCS lands leases.

During 1983, the OCS accounted for about 9 percent of total domestic oil production. Estimates indicate that as much as 34 percent of the Nation's as yet undiscovered oil resources and 28 percent of undiscovered gas resources will come from the OCS. The July 1982 5-year OCS Oil and Gas Leasing schedule currently calls for eight lease offerings in FY 1984 and nine in FY 1985.

The Agency is one of the largest collectors of revenue for the Federal Government. Collection activities for onshore and offshore mineral leasing revenues are expected to yield approximately $9.6 billion, including Windfall Profit Tax, in FY 1985 receipts for the U.S. Treasury, including bonuses and rentals from the OCS totalling $3.3 billion and OCS royalties of $3.3 billion.

The MMS has undertaken an intensive effort to recover millions of dollars in royalties previously lost from oil and gas leases on Federal and Indian lands through significantly improved management, the development and use of up-to-date accounting systems, and establishment of a permanent audit program. These efforts to improve the Department's royalty management activities resulted in the collection of $81 million in previously uncollected receipts through FY 1983.

The FY 1985 budget estimate for the MMS is $766.5 million. This includes a permanent appropriation of $599.1 million for payments to States from onshore mineral leasing receipts and $167.4 million for MMS operating programs.

Funding requested for MMS operating programs includes:

- $103.2 million for the management of leasing, and the oversight and supervision of exploration, development and production operations for oil, gas, and other minerals on the OCS.

- $39.9 million for the accurate determination, collection, accounting for and distribution of royalty and mineral revenues from Federal, Indian, and OCS lands.

The balance of the request for operating programs supports executive direction, administrative, and general support activities.

35-235 O - 84 - 7

Highlights of the FY 1985 MMS funding request include:

Outer Continental Shelf Lands: The requested FY 1985 budget of $103.2 million is $5.5 million less than the FY 1984 estimate. The reduction is largely the result of an expected lower level of geologic and geophysical data acquisition to supplement existing data and to selectively fill gaps in the existing data base.

Royalty Management: The budget for Royalty Management Programs is proposed to be increased by $4.7 million over the FY 1984 estimate of $35.1 million, primarily for State and Indian tribe cooperative audits, enhancement of MMS's inhouse audit capability, and improvements in royalty management ADP systems.

Payments to States: Onshore mineral leasing receipts are projected to increase by $118.9 million in FY 1985 over the FY 1984 level of $1.3 billion. Although total receipts increase, payments to the States will decrease from FY 1984 to FY 1985 as a result of changing from a semi-annual to a monthly distribution under the Federal Oil and Gas Royalty Management Act of 1982 (P.L. 97-451). In FY 1984, the States will be paid their share of 17 months of mineral leasing receipts, including an estimated one time increase of $243.7 million. In 1985, payments will cover only 12 months of receipts.

In the past, the cost of collecting these receipts, 50 percent of which are generally shared with the States, have been totally borne by the Federal Government. In FY 1985, the Department proposes to deduct the costs of royalty management from these receipts prior to their distribution between the States and the Treasury, so that beneficiaries of these revenues will equitably share in the cost of their collection.

DEPARTMENT OF THE INTERIOR PROGRAM
FOR THE
OFFICE OF SURFACE MINING

Fiscal Year 1985

The Fiscal Year 1985 Budget Estimate for the Office of Surface Mining (OSM) is $361.4 million. The Fiscal Year 1985 Budget Request also includes a Fiscal Year 1984 pay supplemental in the amount of $470,000 and a Fiscal Year 1984 supplemental request of $4.8 million for Federal regulatory programs.

In Fiscal Year 1985, the Office of Surface Mining is committed to providing the necessary resources and incentives for States to maintain and improve their regulatory and reclamation programs and thereby reduce direct Federal program operations. To this end, OSM's proposed budget authority of $361.4 million includes $302.1 million for grants to States for both their regulatory and reclamation programs, an increase of $28.1 million over Fiscal Year 1984. Requirements for Federal program activities are decreased by $3.4 million to $59.3 million.

OSM's Field and Area Offices work closely with the States to provide program assistance, program oversight and grant administration. The agency's Technical Centers possess expertise in the wide range of disciplines associated with mining regulations and reclamation. The Washington Headquarters provides policy direction and program assistance.

Surface Mining Regulatory Programs

The Office of Surface Mining is requesting a total of $69.7 million for State and Federal regulatory programs, a net increase of $4.2 million from Fiscal Year 1984. In addition, the agency is requesting a Fiscal Year 1984 supplemental appropriation of $4.8 million, and a pay supplemental of $470,000.

The regulatory program encompasses 10,871 active mining units which together are responsible for the production of over 800 million tons of coal per year. The Fiscal Year 1985 budget request includes $39.1 million for regulatory program grants to the States, an increase of $1.0 million. In Fiscal Year 1985, twenty-five States will have regulatory primacy. Federal regulatory program operations and inspection activities are budgeted at $13.1 million, an increase of $1.4 million over Fiscal Year 1984. Funds are included to continue implementing an oversight policy through which the Office of Surface Mining works with States to ensure conformance with the regulatory provisions of the Surface Mining Control and Reclamation Act of 1977 (SMCRA), and to meet its own regulatory responsibilities on Federal and Indian lands and in non-program States. Technical services and research activities are budgeted at $10.5 million in Fiscal Year 1985, an increase of $739,000 from Fiscal Year 1984. These changes primarily reflect increased needs for technical assistance to the States. The General Administration activity for regulatory programs is budgeted at $6.9 million in Fiscal Year 1985, an increase of $1.1 million, primarily reflecting higher rates for leasing office space.

The $4.8 million Fiscal Year 1984 supplemental appropriation request for Federal regulatory programs will be used to assist States in administering efforts to repermit mines, ensure compliance with a court order regarding collection of civil penalties under the regulatory program, and to review an above average number of mine plan applications on Federal and Tribal lands.

Abandoned Mine Reclamation Programs

The Fiscal Year 1985 budget request is $291.7 million to reclaim abandoned mine lands, a net increase of $20.5 million.

The budget includes $263.0 million in non-matching grants for State reclamation programs, an increase of $27.1 million. This increase recognizes the growing capabilities of the States to carry out priority reclamation projects. State programs have rapidly expanded their capabilities in this regard and are managing larger and more comprehensive programs.

A budget request of $24.2 million is sought for Federal reclamation programs and supporting activities. This is a net decrease of $7.0 million, $6.9 million of which comes from the Soil Conservation Service's Rural Abandoned Mine Program (RAMP), which is budgeted at $3.7 million. The RAMP funding will be sufficient to continue administering cooperative projects initiated in prior years. The Federal reclamation program will be reduced by a net amount of $571,000 to $13.8 million. Within this program, funds for direct Federal management of projects are being reduced, consistent with the policy by which States assume the major role in abandoned mine reclamation through the expanded State reclamation grants program. Also within this program, a new $2.0 million research and development program is being initiated to provide cost-effective approaches to complex reclamation problems common to many States and avoid duplicative research efforts by States. Finally, the Federal fee compliance and fund management program is budgeted at $6.7 million, an increase of $436,000 to improve systems for administering the rapidly expanding State reclamation grant program.

General Administration for the Abandoned Mine Reclamation Fund program is budgeted at $4.5 million, an increase of $390,000.

Abandoned Mine Reclamation Fund revenues in Fiscal Years 1984 and 1985 are estimated at $207.2 and $218.6 million respectively.

DEPARTMENT OF THE INTERIOR PROGRAM
FOR THE
U.S. GEOLOGICAL SURVEY

Fiscal Year 1985

The FY 1985 Budget Estimate for the U.S. Geological Survey (USGS) is $391.8 million. Within the framework of the FY 1985 budget, the USGS will continue to expand its digital cartographic data programs, proposing an increase of $3.3 million for a total of $11.3 million, and provide $1 million to begin a new initiative for cooperatively funded geologic mapping activities in the states. Also proposed is a FY 1984 supplemental in the amount of $13 million and a transfer of a $17 million unobligated balance, for a total of $30 million, to finance the conveyance of the Barrow gas fields to the North Slope Borough of Alaska.

The request supports basic geologic research and hazards investigations, energy- and mineral-resource inventory, water resources investigations, and topographic mapping all of which provide data and analyses that are essential for decision-making concerning the wise use of the Nation's earth and water resources.

A breakdown of the major USGS activities and programs of the FY 1985 budget includes:

- o $156.2 million requested for geologic research and investigations.
- o $116.5 million requested to continue the national program of water resources investigations.
- o $90.4 million requested to support the National Mapping Program.

The balance of the total USGS budget request will be used for executive direction, general administration, and facilities support.

Highlights of the FY 1985 funds requested for the USGS include:

GEOLOGIC RESEARCH: Continued research and investigations of the geologic processes that have formed and continue to modify the country, its coastal areas, and its deep ocean margins will be funded by $156.2 million requested for FY 1985. Based upon this research and information, the USGS is able to provide accurate, up-to-date assessments of the Nation's mineral, energy, and other resources and to identify potential geologic hazards. The FY 1985 budget provides for:

- o A new initiative within the geologic framework program to allow the Geological Survey to address the demand for new geologic and geophysical maps through the Federal/State cooperative mechanism. $1 million is redirected for this effort.
- o Continuation of strategic and critical minerals research and assessment both onshore and offshore including the Exclusive Economic Zone (EEZ). These two programs total $28.5 million.

Funding reductions are proposed for geologic hazards monitoring and related research, energy resource investigations, and land resource surveys.

WATER RESOURCES INVESTIGATIONS: A budget of $116.5 million is being requested to continue the national program of water resources investigations in FY 1985. This program supports the collection of the largest data base of information in the Nation on the quantity and quality of surface- and ground-water and provides water data needed to develop and manage these water resources. In addition to maintaining the data base, funds will be used for the following high priority work:

- Continue the ongoing Acid Rain Program which studies the effects of acid rain on the lakes, rivers, and ground-water at a level of $3.2 million.

- Continue the Survey's Toxic Waste Program for developing information and techniques for mitigating ground- and surface-water contamination, and technical support to Federal and State officials faced with making decisions about the control of disposal of toxic wastes at a level of $9 million.

- Conduct additional high priority coal hydrology studies as part of the Federal-State Cooperative Program, in support of the State permitting process at a level of $4.4 million.

Funding reductions are proposed for programs such as Regional Aquifer Systems Analysis, Core Research, Cooperative Data Collection, and Water Use Programs and Supporting Services. No funds are requested for the Water Resource Research Institutes or the Federal Coal Hydrology Investigations.

NATIONAL MAPPING PROGRAM: A budget of $90.4 million is being requested to support the National Mapping Program. The USGS is the Nation's principal civilian mapmaking agency and coordinates national mapping requirements throughout the Federal Government. Program activities for FY 1985 emphasize:

- Expanding the Digital Cartography Program by $3.3 million, to a level of $11.3 million, to produce and make available computer-based digital cartographic data from existing map series for use by the USGS and other Federal agencies. Increased funds will provide the cartographic data base required by 1987 for the taking of the 1990 census.

- Enhanced receipts of $1 million from the sale of USGS maps to recover the costs of printing and distribution.

- Increased user fees to partially offset decreased appropriations for cartographic and geographic information services.

Reductions are proposed in programs for special-purpose mapping, remote sensing applications, the systems for airborne profiling of terrain, and side looking radar.

BARROW, ALASKA, GASFIELD: The budget request reflects the plan to implement the agreement to turn over the gasfields located in the Barrow area to the local government prior to the beginning of FY 1985. It is proposed to

finance this plan by providing a $13 million suppplemental and transfer of a $17 million unobligated balance, for a total of $30 million, to the North Slope Borough of Alaska. This will yield substantial savings in future USGS budgets as current operating costs are over $6 million annually and could increase in future years to meet growth.

OTHER ACTIVITIES: The Survey provides its scientific expertise, on a reimbursable basis, consistent with U.S. foreign policy to other countries presently including the Kingdom of Saudia Arabia, Brazil, Chile, Colombia, Mexico and Peru. The Survey also presently engages in scientific exchanges of mutual benefit, under formal agreements, with countries such as the Peoples Republic of China, West Germany, France, Italy, Spain, Hungary, and Yugoslavia.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
BUREAU OF MINES
Fiscal Year 1985

The 1985 proposed budget for the Bureau of Mines is $118.1 million. This amount includes $117.6 million for Mines and Minerals, and $0.5 million which is expected to be contributed by States, local governments, and private organizations to conduct cooperative projects. An additional $1.7 million previously appropriated for a new facility in Bruceton, Pennsylvania, to replace buildings that will be transferred to Carnegie-Mellon University, would also be spent for Bureau of Mines programs in fiscal year 1985.

The fiscal year 1985 Budget for the Bureau of Mines provides resources to support elements of the President's National Materials and Minerals Program Plan and Report to Congress of April 5, 1982. Funds will be provided to continue Minerals and Materials Research aimed at helping to insure adequate domestic supplies of minerals--with emphasis on strategic and critical minerals--by improving and broadening the basic scientific knowledge to support advances in technology that would allow their extraction from domestic deposits, reduce the quantities required in essential applications, and permit further recycling of minerals values contained in wastes and scrap. Substantial funding will also be devoted to the Bureau's Health and Safety Technology program which aims at making mining and mineral processing safer and more healthful for workers. The Budget also supports continuation of the Bureau's Minerals Information and Mineral Data Analysis programs which collect and disseminate information on worldwide mineral production and trade, analyze problems affecting the Nation's mineral supplies, develop and analyze policy alternatives for addressing these problems, and conduct mineral assessments of public lands being considered for wilderness designation.

The existing 31 Mineral Institutes and 5 Generic Minerals Technology Centers will have sufficient funds from the 1983 and 1984 appropriations to support their programs through fiscal year 1985; consequently, no funding is proposed for the Mineral Institutes program, resulting in a saving of $9.4 million. The legislative authorization for this program expires at the end of fiscal year 1984. In the future, other sources of private and public support are expected to be available to the Institutes to help them continue to meet their objectives.

Health and Safety Technology

The budget proposes $32.1 million for Health and Safety Technology to continue research on a broad range of fundamental safety and health problems in coal, metal, and nonmetal mines. This research is directed toward providing technology that will reduce the incidence of mine accidents and occupational illnesses among miners. In health research, emphasis will continue to be placed on scientific investigations to solve the longwall mine respirable dust problem and on improving dust controls for coal mines having silica dust problems. In that portion of safety research which consists of basic research in rock mechanics and geologic characterization, new analysis techniques will be introduced to permit design of safer mines.

Conservation and Development

The budget request for Conservation and Development provides $5.9 million which would permit continued research on improved metal and nonmetal mining techniques and research addressing mining-related environmental issues. The program addresses problems associated with the efficient extraction of minerals, the proper disposal and treatment of solid mine wastes and water, and surface subsidence resulting from underground mining. No funding is proposed for operation of the Mine Equipment Test Facility or continued research in Coal Mining Technology. Further testing and product development are more properly conducted by the private sector.

Minerals and Materials Research

The budget proposes $30.9 million for Minerals and Materials Research to continue research directed toward helping to ensure an adequate domestic supply of minerals. In fiscal year 1985, over 75 percent of the Minerals and Materials Research budget will be for scientific investigations of problems related to enhancing the supply of strategic and critical minerals. The work in this area will emphasize new extractive metallurgical methods to treat low-grade and complex resources, substitute and alternative materials that would lessen the need for imports, and new and improved recycling technologies.

Minerals Information

The budget request of $11.1 million for Minerals Information provides for the continued collection and dissemination of data on production, consumption, and foreign trade of more than 100 mineral commodities worldwide. This information is required to support public and private decisionmaking concerning mineral supplies, particularly supplies of strategic and critical minerals. The Bureau's products are especially important to private sector investment decisions needed to revitalize the domestic minerals industry and for the development of public policy affecting mining and minerals issues.

Mineral Data Analysis

The budget proposes $18.2 million for Mineral Data Analysis to analyze problems affecting the Nation's mineral supplies, to develop and analyze policy alternatives for addressing these problems, and to continue to assess the mineral potential of Federal lands. Mineral Data Analysis activities are directed toward and focus on the President's concern for the Nation's increasing dependence on essentially vulnerable foreign supplies of minerals, the effects of regulations on the domestic mineral industry, the national security implications of shortages of strategic and critical minerals, and the diminishing availability of public lands for mineral exploration.

General Administration

The budget proposes $21.1 million for General Administration to provide executive direction and management services for Bureau programs.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
FISH AND WILDLIFE SERVICE

Fiscal Year 1985

The budget authority requested for the Fish and Wildlife Service in FY 1985 is $529.8 million. The 1985 budget request also proposes FY 1984 supplemental funds for costs of emergency fire suppression activities on national wildlife refuges (+$440,000) and costs associated with transfer/closure of 10 national fish hatcheries (+$591,000). A major funding initiative in this request accelerates Federal efforts to preserve valuable wetlands. This initiative provides funds for grants to States for wetlands conservation, Federal wetlands acquisition, and a study of wetlands losses and recommendations for conserving these areas. The second major thrust of the fiscal 1985 budget emphasizes monitoring and research efforts directed toward the effects of contaminants and techniques of lake liming on fish and wildlife. The fiscal 1985 request includes $162.1 million for permanent appropriations, $3.7 million for trust funds, and $364.0 for appropriations requiring Congressional action.

Resource Management

All major programs comprising Resource Management in FY 1985 exceed the FY 1984 levels of funding, as shown in the following table:

($ in thousands)

Activity	1984	1985	Change
Habitat Resources	40,252	49,947	+9,695
Wildlife Resources	132,874	135,475	+2,601
Fishery Resources	42,048	44,148	+2,100
Endangered Species	21,947	25,242	+3,295
General Administration	35,213	36,788	+1,575
Totals	272,334	291,600	+19,266

The significant increases in the Resource Management appropriation are as follows:

- Accelerate wetlands conservation by providing $0.8 million for a study on the effects of Federal subsidies on wetlands and $1.5 million for improvements to computer software and hardware used in wetlands map production and interpretation.

- Initiate an aggressive liming and evaluation program by providing $6.0 million to restore acidified lakes and their sport fishery populations. Much of this work will be accomplished through cooperative efforts with States.

- Increase activities to identify and monitor the effects of contamination of fish and wildlife resources by various polluting substances by $1.6 million.

- Emphasize endangered species support by providing $400,000 for an accelerated listing program, $535,000 for implementation of recovery actions involving 56 species, $168,000 for research actions on four high priority species, and increase grants to States by $2.0 million to expand and supplement recovery efforts.

- Continue the Accelerated Refuge Maintenance and Management (ARMM) program by adding $1.3 million to maintain facilities and to improve resource protection and management on national wildlife refuges.

- Expand research and management activities to restore declining populations of black duck ($493,000) and to provide information on the population status and trends of five species of geese nesting in Alaska ($376,000).

- Provide an increase of $675,000 for operation and maintenance funding at national fish hatcheries.

- Provide full funding for 12 Lower Snake River Compensation Plan (LSRCP) mitigation facilities which will be operational in fiscal 1985 with an increase of $850,000. These facilities were authorized by the LSRCP to compensate for fishery losses which occurred after the construction of four dams on the Lower Snake River.

Offsetting reductions in this budget request are as follows:

- The EIS and public hearings on oil and gas leasing on national wildlife refuges which were begun in FY 1984 will be completed and final rulemaking will be published in FY 1985, with resulting savings of $300,000 from the previous year's total funding level for these efforts.

- Consolidate cooperative fish and wildlife research units to achieve management efficiencies while continuing research and training activities. By combining both fields of research at the same universities, total savings will be $1.3 million. In FY 1985, a total budget of $3.7 million is proposed for the cooperative units.

- Effecting the transfer/closure of 10 national fish hatcheries as directed by Congress during the FY 1984 appropriations process will result in operational savings of $1.4 million.

- Terminate lower priority research activities including fish control and drug registration and small mammal damage to forests, and effect savings for previous one-time maintenance costs ($1.2 million).

Construction and Anadromous Fish

Dam Safety and Anadromous Fish Grants are the principal features of the Service's FY 1985 budget request of $9.1 million in this appropriation. The Federal dam safety guidelines require regularly scheduled field

inspections and investigations of all dams on Service facilities which will require $0.4 million in fiscal 1985. Previous inspections have revealed structural or operational deficiencies in dams on Service facilities which have been evaluated in terms of the threat to life or property and the urgency of repair. A total of 15 dams are proposed for repair or technical engineering design work in FY 1985 ($3.2 million).

Construction projects to protect the health and safety of visitors and employees on four national wildlife refuges are presented in this budget request ($1.0 million). Advance engineering planning for future construction projects will be continued at a level of $1.0 million.

The Anadromous Fish Grants program request for $3.5 million provides Federal matching grants to assist States and non-Federal entities in restoring and enhancing anadromous fish populations through interstate cooperation.

Land Acquisition and State Assistance

With an increase of $15.2 million over FY 1984, the fiscal 1985 budget requests a total of $57.5 million for a comprehensive land acquisition program consisting of three parts: Federal refuges, Federal wetlands, and grants to States for wetlands conservation. The Federal refuge proposal provides $30.0 million for acquisition of approximately 45,540 acres in 14 national wildlife refuges. Approximately 35 percent—15,922 acres--are for the protection of endangered or threatened species. The remainder will provide additions totaling 29,618 acres to five refuges under various legislative authorities.

Acquisition of Federal wetlands and establishment of State wetlands grants are new thrusts of the acquisition program which are proposed in accordance with provisions of legislation currently being considered by the Congress. Four projects are proposed for Federal acquisition which would add approximately 21,035 acres of valuable wetlands to the refuge system for a requested $20.0 million.

The grants program is proposed to support State projects to preserve and improve wetlands, associated uplands, and wetland-related fish and wildlife. The initial year of the program will utilize $7.5 million. Matching funds will be provided to States on a 3-to-1 Federal/State basis for these cooperative projects to deter wetlands losses.

Migratory Bird Conservation Account

Receipts from the sale of Migratory Bird Hunting and Conservation Stamps will be an estimated $16.4 million. These receipts will allow acquisition of an additional 10,100 acres for national wildlife refuges and 23,060 acres in waterfowl production areas, for a total acquisition program for essential migratory bird habitat of 33,160 acres in FY 1985. Sale of an estimated 2.14 million duck stamps at a price of $7.50 will support the program. The Service supports a gradual increase in the price of the duck stamps in future years.

National Wildlife Refuge Fund

The Service is requesting direct appropriations of $5.8 million in fiscal 1985 for payments in lieu of taxes. Payments to counties will total $10.1 million. The direct appropriation will be supplemented from prior year net receipts from the sale of timber, grazing privileges, oil, gas, minerals, and fees.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
NATIONAL PARK SERVICE

Fiscal Year 1985

The total budget authority requested for the National Park Service in fiscal 1985 is $840.9 million including $157.3 million to continue the Park Restoration and Improvement Program (PRIP). An additional $100 million will be available from the Highway Trust Fund for construction and rehabilitation of park roads and bridges, bringing the total budget for PRIP to $257.3 million. Under the PRIP Program, more than 3,000 maintenance, construction, and preservation projects have been completed, affecting nearly every unit of the National Park System. The 1985 budget includes an increase of $23.6 million for park operations, $34.2 million for construction, $7.5 million for park land acquisition, and $0.2 million for the Visitor Facilities Fund. In addition to the increase requested in 1985 for land acquisition, the budget also includes a supplemental request of $30 million to replace acquisition funds transferred to Bureau of Land Management in 1983 to cover firefighting costs. This increase is offset by reductions of $81.2 million for assistance to States under the Land and Water Conservation Fund, $26.5 million for Historic Preservation Fund grants to individual States and the National Trust for Historic Preservation, $6.7 million for Urban Park and Recreation Fund grants, and $0.8 million for National Recreation and Preservation Programs. Support for the John F. Kennedy Center for the Performing Arts will increase $0.1 million to cover additional personnel costs. An explanation of the National Park Service's request by appropriation is provided below:

Operation of the National Park System

The fiscal 1985 request for the "Operation of the National Park System" appropriation is $624.6 million. The increase over 1984, $23.6 million, consists of the following:

--$13.2 million for additional personnel costs relating to approved Federal pay increases in 1984.

--$1.7 million for uncontrollable administrative expenses including GSA space rental payments, payments to the Employees' Compensation Fund, and salary increases for the U.S. Park Police.

--$1.9 million to upgrade information and interpretive programs and enhance visitor protection activities.

--$7.7 million for maintenance to cover the increased cost of equipment, utilities, supplies and materials.

--$1.9 million for resources management including $0.7 million for cultural resources management and $1.2 million for research, monitoring and management programs relating to natural resources.

--$0.2 million for park supervision at Kalaupapa NHP, Hawaii, and additional support for operations in Alaska.

--$4.5 million to continue development and implementation of the new Financial and Cost Tracking System (FACTS).

These increases are partially offset by reductions totalling $7.5 million for lower priority programs which the Service proposes to curtail or eliminate in 1984.

National Recreation and Preservation

The fiscal 1985 request for National Recreation and Preservation Programs totals $9.5 million, a decrease of $0.8 million from 1984. The 1985 proposal include increases of $.4 million for National Register activities, $.8 million for Tax Act Certifications and Review to meet the increased Federal workload for this program, $.2 million to implement a comprehensive resources protection planning process for Federal projects, and $.3 million for full year pay increases. These increases are offset by reductions of $2.7 million in recreation programs, rivers and trails studies, and administrative expenses for prior year Historic Preservation Fund and Urban Park and Recreation Fund grants.

Construction

The Service is requesting $78.3 million for construction in fiscal 1985; $34.2 million more than the fiscal 1984 appropriation. The proposed program includes 15 projects in 11 areas which will upgrade water and sewer systems, rehabilitate visitor facilities, and protect park resources. The Surface Transportation Assistance Act of 1982 (P.L. 97-424) authorizes $100 million in fiscal 1985 for National Park Service road rehabilitation and construction to be funded from the Highway Trust Fund. This act also made $100 million available in fiscal 1984.

John F. Kennedy Center for the Performing Arts

Budget authority of $4.6 million is requested for maintenance, security, and interpretive services at the John F. Kennedy Center for the Performing Arts, an increase of $0.1 million over the 1984 budget. The increase will cover the full year cost of the January 1984 Federal pay increase. The National Park Service currently shares these operating expenses with the Kennedy Center Board of Trustees.

Land Acquisition

The 1985 budget represents a major increase in funding from previous requests for the acquisition of Federal park land. In recent years, the Administration has sought to limit funding for new park land to those amounts needed to pay outstanding deficiency court awards. With this backlog essentially eliminated, the fiscal 1985 request includes $100.0 million for land acquisition, $7.5 million more than the 1984 appropriation and $45.3 million above the 1984 request of a year ago. Of this total, $75.5 million is targeted for specific areas, $15.0 million will be used for inholdings and general deficiencies, $2.4 million is budgeted for emergency and hardship acquisitions, and $7.1 million is for acquisition management. The budget includes offsetting decreases reflecting the proposed termination of State matching grants (-$75.0 million) and land acquisition funding for the Pinelands National Preserve in New Jersey (-$6.2 million), and a transfer to the Operation of the National Park System account from acquisition management (-$.7 million) for mineral surveys and studies.

Historic Preservation Fund

No budget authority is requested for Historic Preservation Fund grants in fiscal 1985, a decrease of $26.5 million from the fiscal 1984 appropriation. Direct Federal support for historic preservation will be limited to those properties which are part of the National Park System. Matching grants to States and to the National Trust for Historic Preservation will be eliminated. The Administration has taken steps to encourage private sector involvement in the preservation of historic properties through the enhancement of economic and tax incentives.

Urban Park and Recreation Fund

No funds are requested to continue grants under Urban Parks and Recreation Fund in 1985, a decrease of $6.7 million from the 1984 appropriation. These grants primarily benefit local recreation practitioners by providing funding for recreation developments and demonstration projects. The Administration believes that support for such programs should come from local rather than Federal sources.

Visitor Facilities Fund

The fiscal year 1985 request for the Visitor Facilities Fund is $6.0 million, $0.2 million more than the fiscal 1984 level. This account, authorized in 1984, utilizes revenues from concessioner franchise fees and building use fees to rehabilitate and repair National Park Service-owned overnight facilities. The increase in 1985 reflects a higher estimate for these revenues.

Fiscal 1984 Request for Supplemental Appropriations and Rescissions

A supplemental appropriation request for $2.6 million for fiscal 1984 to cover expenses incurred in the prevention and suppression of wildfires will be submitted with the fiscal 1985 budget.

35-235 O - 84 - 8

DEPARTMENT OF THE INTERIOR
FOR THE
BUREAU OF INDIAN AFFAIRS

Fiscal Year 1985

The proposed budget for the Bureau of Indian Affairs for fiscal year 1985 totals $1,479,173,000 in budget authority. This amount is made up of a total of $928,696,000 in Federal appropriations and $550,477,000 in permanent and trust funds. The $550,477,000 in permanent and trust funds represents funds belonging to tribes that are held in trust and receipts from power and irrigation systems and do not require an appropriation from the general fund.

The $928,696,000 in Federal appropriations represents a $20,974,000 increase over the FY 1984 appropriations to date.

The budget request includes $273.4 million for Indian education; $212.6 million for Indian services programs; $67.1 million for economic development and employment programs; and $96.9 million for natural resources development. Funds for the protection of Indian trust resources and tribal rights are proposed at $47.7 million; general administration at $67.4 million; facilities management at $90.2 million; construction at $73.3 million (including $20.8 million for housing); and $100.0 million for road construction from the Federal Highway Trust Fund.

In addition the budget proposes FY 1984 supplementals including $17.0 million for the Ak Chin Irrigation Project in Arizona and $7.4 million for welfare grants (as a transfer from the construction account).

Highlights of 1985 Budget Request

This administration continues to further Indian self-determination by strengthening tribal governments, decreasing unnecessary Federal intrusion in reservation affairs and seeking ways to build economic self-sufficiency for the 755,000 American Indians and Alaska Natives living on reservations or in Indian Country. The key to the new approach is this Administration's American Indian Policy Statement issued in January 1983. That policy reaffirmed the government-to-government relationship; reinforces the concept of Indian self-government and self-determination; supports economic development by attracting private capital; and establishes a Presidential Commission to seek ways to improve the economies on Indian reservations. The major thrust for the past three years and continuing in the FY 1985 budget has been one of creating strong, stable tribal governments that will lead to the development of both the human and natural resources. Highlights of the FY 1985 request are:

- A $10 million economic development program which is projected to attract another $30 to $40 million in private sector financing for new Indian enterprises.
- Funds to meet Federal commitments to water rights settlements with the Papago Tribe for FY 1985 and the Ak Chin Community for FY 1984.
- A continuation of the $100 million roads program funded from the Highway Trust Fund, which will aid in economic development by providing both access to and needed infrastructure on reservations.

An analysis of our fiscal year 1985 appropriations by program is reflected in the details provided below:

Indian Education

In FY 1985, $273.4 million is requested for Indian education under the Operation of Indian Programs appropriation. The education budget will continue to meet the basic and special educational needs of Indian students attending Bureau and contract schools and will provide residential care and guidance programs at the same level as in FY 1984.

The education program will provide $180.7 million for a Federally supported school system presently comprised of 191 schools and 15 dormitories for Indian students. The decrease in number of students served (from 43,193 in 1984 to 42,982 in 1985) will result from the transfer of up to 10 Bureau day schools to the State of Alaska and the closure of Intermountain off-reservation boarding school. The Alaska day school transfers are being negotiated with the State and are consistent with the State's constitution to establish a single school system in Alaska. The majority of the schools in the Bureau's system are operated by the Bureau; however, an increasing number are controlled, operated and managed by Indian groups under contractual arrangements with the Bureau. When necessary, residential programs are provided.

The $26.2 million for the Johnson O'Malley program will provide services to 176,000 Indian students in 26 states. Nearly 800 local Indian education parent committees help to determine program needs.

The $53.2 million for continuing education programs will provide $29.5 million for graduate and undergraduate level scholarship grants to approximately 13,200 Indian students; $11.1 million for financial assistance to 19 tribally controlled community colleges serving a total of 3,915 students; and $3.5 million for adult education programs to serve approximately 11,300 Indians. The Bureau also operates three postsecondary institutions serving an estimated 1,900 students at a cost of $9.1 million.

Indian Services

The proposed FY 1985 budget for social services is $105.8 million. The Indian services budget is directed toward the enhancement of tribal governmental capabilities to deal independently and successfully with both social and economic growth on the reservations. While this budget also proposes to meet actual and critical needs in human services, it focuses an increasing share of the Bureau's resources on those efforts which support the economic development area.

The program includes an estimate of $80.4 million for welfare grants, including both general assistance and payments for the care of dependent, neglected, handicapped or delinquent children. The amount for grants under the Indian Child Welfare Act is $7.7 million. A total of $17.6 million is also requested for the professional staff required to operate the program.

The $25.2 million FY 1985 self-determination services program includes $1.8 million to finance contract support and employee displacement costs for new P.L. 93-638 contracts negotiated Bureauwide in FY 1984 and FY 1985, $16.8 million for grants to tribal governments, $1.6 million for training and technical assistance, and $5.0 million for grants to small tribes to acquire and maintain needed core-management capability. In FY 1985, contract support for P.L. 93-638 contracts in existence prior to FY 1984 will be provided as part of the direct program funding and has been financed by a transfer to the program accounts.

The budget includes $36.4 million for law enforcement and $26.1 million for tribal government services including tribal courts. The FY 1985 Navajo-Hopi settlement program of $3.8 million continues the range restoration and stock reduction programs.

Economic Development and Employment Programs

The FY 1985 budget proposes $67.1 million for economic development and employment programs. A highlight of the FY 1985 budget is the request for $10.0 million for economic development grants and $0.3 million to fund a highly specialized staff to manage the economic development initiative. It is anticipated that these grants will attract $30 million or more in private sector financing for new enterprises.

The FY 1985 budget requests $5.0 million to manage the credit and financing program. This program will administer $16.1 million in new direct loans for FY 1985; and, will continue to administer $91.2 million in direct loans and $92.9 million in guaranteed and insured loans which are projected to be outstanding at the start of FY 1985.

The request also includes $25.8 million for direct employment and adult vocational training; $22.3 million for road maintenance on Indian reservations; and $0.9 million for the Indian Arts and Craft Board.

Natural Resources Development

The request of $96.9 million for natural resources development in FY 1985. The budget concentrates on activities which will provide income and support economic growth on the reservations. Activities in the areas of forestry management and development, minerals exploration and production, improving range and farm lands, and in improving agriculture methods to increase yield and quality of production remain a high priority within the Bureau's thrust toward self-determination for tribes.

Funds are also provided for the operation and maintenance of Indian irrigation systems to insure the continued delivery of water to meet contractual and legal obligations and to prevent deterioration of the irrigation systems.

Trust Responsibilities

The FY 1985 request for trust responsibilities programs totals $47.7 million. Strengthening of the trust responsibility role continues as a critical objective of the Bureau. This objective is strongly supported at the local level where the tribes/agencies have increased budgets in both real estate services and the financial trust activities.

This budget request will continue litigation efforts, real estate services and appraisals, boundary surveys, land records improvement, lease compliance efforts, cultural resources activities, archeological clearances, and financial management for funds held in trust.

Facilities Management

The facilities management budget of $90.2 million maintains the FY 1984 operations level and continues to focus on planned maintenance activity which targets life/safety requirements, energy savings, and effective space utilization. The program includes rental cost for facilities, operation and

maintenance of all facilities (including those used for tribally contracted programs), and facilities management staff at all levels of the Bureau.

General Administration

In FY 1985, $67.4 million is requested for General Administration which supports on-going operations and special initiatives to improve contract management and the accounting and finance system in the areas of trust fund management, compliance with the Prompt Payment Act, debt collection, cash management, and fund control. The program includes executive direction, EEO, and administrative services for all levels of the Bureau; ADP services; safety management; intragovernmental charges for postage, the Federal telephone system, and GSA rentals; reimbursements to the Department of Labor for employee compensation and unemployment compensation payments to former Bureau employees; and program management at the central office level for the construction and education programs. The program management for the road construction program is no longer funded under this activity but will be financed by allocations from the Federal Highway Trust Fund, Department of Transportation.

Construction Programs

The construction programs of the Bureau continue to emphasize constructing and improving existing facilities in support of the education program; continues funding for the Papago Irrigation Project and a dam safety program; and provides for the renovation of Indian homes.

Construction (Buildings & Utilities)

The Buildings and Utilities program primarily concentrates on constructing and improving existing facilities in support of the Bureau's school operations program. The FY 1985 budget request for construction of buildings and utilities is $40.5 million, which includes $4.5 million for construction of the Western Cheyenne River Consolidated School, South Dakota.

The program also includes $36.0 million for facilities improvement and repairs. Funding requested will be used to correct unsafe conditions, to improve waste disposal facilities, initiate high priority energy conservation projects, to correct functional deficiencies in existing Bureau facilities, and to fund preparation of plans, engineering supervision and surveys.

Construction (Irrigation Systems)

The proposed FY 1985 irrigation construction program will provide a total of $11.9 million. This amount includes $4.2 million for the Papago Project in Arizona. Funding is being requested in the amount of $5.0 million for continuation of a major effort for assuring dam safety which was initiated in FY 1982. The request includes $1.7 million for supervision and engineering and $1.0 million for surveys and design for irrigation construction and rehabilitation work on existing Indian irrigation projects.

Construction (Housing)

The housing request of $20.8 million will continue renovation of existing homes, construction of new homes for those clients who do not qualify for other Federal housing or private financing for home construction, and general management of the program Bureauwide.

Road Construction

In FY 1985, the entire road construction efforts of the Bureau of Indian Affairs will be financed from the contract authority allocations from the Highway Trust Fund of the Federal Lands Highway Program, Department of Transportation ($100.0 million in FY 1985). This includes funds for program management at the central office level and project supervision at the area and agency levels. Specific language is being requested to utilize up to 6% of the available contract authority for these purposes with the balance to be available for project construction.

Supplementals

The President's FY 1985 budget includes a FY 1984 supplemental of $14.0 million for fire suppression. These funds will be used in FY 1984 for anticipated wildfire suppression, emergency prevention and rehabilitation efforts on Indian forest and rangeland.

Included in the FY 1985 budget is a request for $5.9 million to cover a portion of the FY 1984 cost of the Federal employee pay raise which became effective January 1, 1984.

A transfer of $7.4 million from construction to operation of Indian programs is proposed in a supplemental request to increase the funds currently available for welfare grants in FY 1984. The funds are to be transferred from appropriations received in FY 1984 for construction of the Alamo Navajo School, New Mexico. Funds for this project will be restored in a future request.

A supplemental request of $17.0 million is requested in construction which includes payments to the Ak Chin Indian Community for acquisition of temporary water supplies in settlement of their water rights claims in Arizona.

DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS

Fiscal Year 1985 Summary of Construction Programs

Buildings and Utilities Construction Program

	FY 1985 Estimate
South Dakota	
Western Cheyenne River Consolidated School.....$4,540,000	
Total, New Construction	$4,540,000
Bureau-wide	
Facilities Improvement and Repair	$36,000,000
TOTAL, BUILDINGS & UTILITIES.....	$40,540,000

Irrigation and Power Construction and Rehabilitation

Arizona	
Papago Irrigation Project.....$4,265,000	
Total, New Construction	$4,265,000
Bureau-wide	
Surveys and Investigations	1,000,000
Engineering and Supervision	1,716,000
Dam Safety Program	5,000,000
TOTAL, IRRIGATION SYSTEMS.....	$11,981,000

Housing Program

Bureau-wide	
Field Programs.....	$20,260,000
Program supervision, Areas.....	349,000
Program management, Central Office.....	194,000
TOTAL, HOUSING PROGRAM.....	$20,803,000

BUREAU OF INDIAN AFFAIRS
F.Y. 1985 BUDGET REQUEST (IN THOUSAND DOLLARS)

	FY 1984 Approp. to date	FY 1984 a/ Budget Estimate	FY 1985 Budget Estimate
School Operations	176,933	179,168	180,683
Johnson O'Malley Education Assistance	26,000	26,077	26,185
Continuing Education	52,821	52,998	53,243
Education Contract Support	—	—	13,340
EDUCATION	255,754	258,243	273,451
Tribal Government Services	23,694	23,875	26,115
Social Services	99,609	99,879	105,752
Law Enforcement	34,944	35,280	36,409
Self-Determination Services	58,779	58,799	25,255
Navajo-Hopi Settlement Program	3,951	3,976	3,830
Indian Services Contract Support	—	—	15,240
INDIAN SERVICES	220,977	221,809	212,601
Employment Development	26,341	26,454	25,787
Business Enterprise Development	10,521	10,591	16,220
Road Maintenance	22,081	22,241	22,337
Econ. Develop./Employ. Contract Support	—	—	2,730
ECONOMIC DEVELOPMENT AND EMPLOYMENT PROGRAMS	58,943	59,286	67,074
Forestry and Agriculture	76,282	76,911	76,552
Minerals, Mining, Irrigation and Power	16,406	16,424	15,819
Natural Res. Dev. Contract Support	—	—	4,551
NATURAL RESOURCES DEVELOPMENT	92,688	93,335	96,922
Indian Rights Protection	17,823	17,901	17,951
Real Estate and Financial Trust Services	27,531	27,858	28,979
Trust Responsibilities Contract Support	—	—	813
TRUST RESPONSIBILITIES	45,354	45,759	47,743
FACILITIES MANAGEMENT	91,113	91,653	90,196
Management and Administration	46,274	46,830	54,568
Employee Compensation Payments	6,829	6,829	6,998
Program Management	5,970	6,029	5,819
GENERAL ADMINISTRATION	59,073	59,688	67,385
1984 PROPOSED SUPPLEMENTAL			
Fire Suppression		14,000	-0-
Welfare Assistance Grants (Transfer from Construction)		7,400	-0-
Federal Employee Pay Cost (distrib. in column 2)		(5,871)	-0-
OPERATION OF INDIAN PROGRAMS (Total)	823,902	851,173	855,372
Irrigation Systems	5,700	5,700	11,981
1984 Supplemental (Ak Chin)		17,000	-0-
Building and Utilities	50,220	42,820 b/	40,540
Housing	23,000	23,000	20,803
CONSTRUCTION	78,920	88,520	73,324
ROAD CONSTRUCTION (Total)	4,000 c/	4,000 c/	-0- c/
EASTERN INDIAN LAND CLAIMS	900	900	-0-
TOTAL, FEDERAL APPROPRIATIONS	907,722	944,593	928,696

a/ Program amounts include actual appropriations and pending supplemental requests.

b/ Includes transfer to Operation of Indian Programs ($-7,400,000) for welfare grants.

c/ Does not include construction project funds in FY 1984 and FY 1985 and program management and supervision funds in FY 1985 which will be provided through contract authority from the Highway Trust Fund as part of the Federal Lands Highway Program of the Department of Transportation (1984 and 1985 = $100.0 million).

DEPARTMENT OF THE INTERIOR PROGRAM
for
TERRITORIAL AND INTERNATIONAL AFFAIRS

Fiscal Year 1985

The fiscal year 1985 Budget Estimate for Territorial and International Affairs is $212,961,000. The Budget provides funding for the Trust Territory of the Pacific Islands, with its component governments of Palau, the Marshall Islands, and the Federated States of Micronesia; as well as for the U.S. territories of the Northern Mariana Islands, Guam, American Samoa, and the Virgin Islands. Also included is direct funding for the Office of Territorial and International Affairs in Washington, D.C. and the Technical Assistance program, which benefits all areas under the auspices of the Office.

The Budget also proposes a Supplemental Appropriation for FY 1984 of $54,000 for pay adjustments, $1,984,000 for the required inflation adjustment to the Northern Mariana Islands Covenant grant, and appropriation language to transfer $264,000 from the Trust Territory of the Pacific Islands to Administration of Territories in order to reimburse the Environmental Protection Agency Superfund for clean-up of hazardous wastes in the Trust Territory.

This Budget requests funds to complete several major commitments by this Administration to the people of the insular areas. First among these major commitments is the completion of a basic infrastructure of roads, docks, air fields, and power and water facilities in the principal islands of Micronesia. To date, more than a quarter of a billion dollars has been funded for capital improvement projects throughout the Trust Territory. This budget will fund the final projects identified in 1982 as being required to fulfill this substantial commitment.

Second among the commitments that will be fulfilled with funds provided through this Budget is the pledge of the past three administrations to provide assistance to the emerging Micronesian governments in their construction of new capitol facilities. These capitols are viewed as prerequisites to national unity and identification. The request of $18,200,000 million will complete the 1975 pledge of $21,000,000.

Finally, the Budget proposes funding for the completion of a major renovation of the power generation system in American Samoa.

In the category of government operations support, the 1985 Budget proposes $99,000,000 for American Samoa, the Northern Mariana Islands, the Federated States of Micronesia, Palau, and the Marshall Islands. The Budget also includes $63,000,000 in fiscal assistance for Guam and the Virgin Islands.

$25,000,000 requested for Guam

$25,000,000 is included in the request for fiscal assistance payments. These payments to be made in 1985, represent the estimated return of Federal income tax collections to Guam in 1986.

$22,072,000 requested for American Samoa

$20,400,000 is requested to continue operations support of the American Samoa Government, and $1,672,000 is requested to complete repairs to the power generation system.

$26,729,000 requested for the Northern Mariana Islands

$26,729,000 has been estimated for Covenant grants to the Northern Mariana Islands as mandated by Public Law 94-241. This grant provides funds for government operations, capital improvements, and economic development activities.

$38,000,000 requested for the Virgin Islands

$38,000,000 is included in the request for fiscal assistance payments. These payments to be made in 1985, represent estimated excise tax collections in 1986 on Virgin Islands rum exports.

$5,028,000 requested for Territorial Administration

$2,828,000 is included for the administration of territorial programs and $2,200,000 is included for technical assistance in the areas of financial management, economic and capital development, and a new thrust in the areas of industrial development and bonding authority.

$10,132,000 requested for Trust Territory Operations

$10,132,000 requested for Trust Territory Operations to provide funds for the High Commissioner's office, the College of Micronesia, and other programs administered out of the Trust Territory Headquarters.

$40,400,000 requested for the Federated States of Micronesia

$40,400,000 is requested in operations support for the National Government of the Federated States of Micronesia, and the State governments of Kosrae, Ponape, Truk and Yap, to fund health, education, public safety, public works, and various other local public service programs.

$11,500,000 requested for the Marshall Islands

$11,500,000 is requested in operations support for the Republic of the Marshall Islands to fund health, education, public safety, public works, and various other local public service programs.

$10,600,000 requested for Palau

$10,600,000 is requested in operations support for the Republic of Palau, to fund health, education, public safety, public works, and various other local public service programs.

$22,600,000 requested for Trust Territory Construction

$18,200,000 is requested to complete the U.S. funding commitment of the three capitol relocations; $4,400,000 is included in the request for completion of the capital infrastructure program begun in 1976.

$900,000 requested for Enewetak Support

$900,000 is requested to assist the people of the Enewetak Atoll with special supplementary feeding and other support programs.

DEPARTMENT OF THE INTERIOR PROGRAM
for the
BUREAU OF RECLAMATION

Fiscal Year 1985

Summary

The President's fiscal year 1985 budget requests approximately $1.08 billion in new budget authority for the Bureau of Reclamation for planning, development, and operation of projects in the 17 Western States.

The total represents an increase of $114 million over the $963 million appropriated for fiscal year 1984 for Reclamation activities under the fiscal year 1984 energy and water development appropriations act, P.L.98-50, and the fiscal year 1984 supplemental appropriations act, P.L.98-181. The fiscal year 1985 budget request also proposes a fiscal year 1984 pay supplemental in the amount of $226 thousand.

The appropriations request for the new fiscal year beginning October 1, 1984, provides for continuation of construction of projects already underway or beginning in 1984, including new contract awards necessary to keep key projects on schedule. Funds are also included for two new construction project starts, Boulder Canyon Project Improvements and Palisades Powerplant Enlargement. The Bureau is submitting a supplemental request to allow work to begin in 1984 on three additional projects. They are Santa Margarita Project, Headgate Rock Hydroelectric Project, and Buffalo Bill Dam Modifications.

Reclamation will follow the water project financing and cost-sharing policy recently announced by the President. Project beneficiaries will bear a part of the cost of financing new project development, but their share will be worked out on a project by project basis rather than following a rigid formula. Safety problems at Reclamation dams will be corrected as expeditiously as possible with the cost borne by the Federal Government. If additional economic benefits result from this work, appropriate cost sharing arrangements will be made.

The request also provides funds for fifteen plan formulation investigation and advance planning new studies that are considered important in assisting the Western States to meet their water and energy needs.

CONSTRUCTION PROGRAM: $764 million has been requested for fiscal year 1985 to begin construction on two projects and continue construction on 78 projects which include six new safety of dams projects; namely, Horsetooth Dam, Fruitgrowers Dam, Newton Dam, Heart Butte Dam, Pactola Dam, and Altus Dam. Preconstruction planning will be underway on four projects. The fiscal year 1984 appropriation provides $695 million for similar work. Major construction projects during the 1985 fiscal year include:

- BRANTLEY PROJECT (New Mexico) - $45 million.

  Contracts will be awarded for construction of Brantley Dam and relocation of the railroad. Acquisition of land and rights will continue.

- BONNEVILLE UNIT (Utah) - $105 million.

  Program will allow further efforts on Strawberry Dam and Reservoir, Jordan Aqueduct, Alpine Aqueduct, and Upper Stillwater Dam. Contracts will be awarded for raising Currant Creek Dam, Hades Creek stream inlet and Monks Hollow Dam foundation tunnel. Land will be acquired for Jordanelle Reservoir and work will be completed on Stillwater Tunnel.

- CENTRAL ARIZONA PROJECT (Arizona, California, Nevada, New Mexico, Utah) - $188 million.

  Construction of the Granite Reef Aqueduct will be completed. Work will continue on the Tucson, Salt-Gila, and Transmission Divisions, the supervisory control system, and other permanent operating facilities. Construction will be initiated on two Indian and three non-Indian distribution systems.

- CENTRAL VALLEY PROJECT (California) - $94 million.

  Auburn-Folsom South Unit. Management of lands, maintenance and services contracts, and work on claims and various studies will continue.

  Sacramento River Division. Construction of the Tehama-Colusa Canal and related distribution systems will be continued.

  San Felipe Division. Construction will continue on the Pacheco Pumping Plant, San Justo Dam and Reservoir and Pacheco, Hollister and Santa Clara conduits. A contract will be awarded for construction of Coyote Pumping Plant.

  San Luis Unit. Raising the canal structures along the San Luis Canal where subsidence has occurred, cathodic protection work, and replacement of defective drain pipe will be completed.

  Miscellaneous Project Programs. Delta Support Studies will continue.

- CHIEF JOSEPH DAM PROJECT, OROVILLE-TONASKET UNIT (Washington) - $15 million.

  Work will continue on the Osoyoos Pumping Plant and pipe distribution system.

- COLORADO RIVER BASIN SALINITY CONTROL PROJECTS (Arizona, California, Colorado, Nevada) - $50 million.

  Construction work will continue on the Yuma Desalting Plant and related facilities and on the Grand Valley, Paradox Valley, and Las Vegas Wash Units.

- COLUMBIA BASIN PROJECT (Washington) - $53 million.

  As part of the Irrigation Facilities, program work on essential drainage and supplemental construction continues and Block 26 lateral work will be completed. At the Third Powerplant, work on the downstream riverbank stabilization and modifications on the powerplant will continue.

- DALLAS CREEK PROJECT (Colorado) - $14 million.

  Construction on Ridgway Dam, Stage II will continue.

- DOLORES PROJECT (Colorado) - $39 million.

  Construction on the McPhee Dam Powerplant will begin. Work will continue on the Great Cut Pumping Plant and Dove Creek Canal.

- GARRISON DIVERSION UNIT (North Dakota) - $54 million.

  The program provides for continued work on Lonetree Dam and Reservoir, New Rockford Canal, Oakes Test Area, and Taayer Reservoir, Dike, and Pumping Plant.

- MCGEE CREEK PROJECT (Oklahoma) - $19 million.

  Construction of McGee Creek Dam, Pumping Plant and Aqueduct will be completed. Acquisition of land and access road construction will continue.

- NORTH LOUP DIVISION (Nebraska) - $30 million.

  Construction of Calamus Dam, Stage III will be completed. Work on Mirdan Canal and laterals and the Geranium system will continue.

- SAN LUIS VALLEY, CLOSED BASIN DIVISION (Colorado) - $17 million.

  Land acquisition and construction of salvage wells, canals, laterals, and related facilities required for water salvage will continue.

Funds are requested for Rehabilitation and Betterment work, $35 million; Safety of Dams work, $14 million; Drainage and Minor Construction activities, $33 million; and development of Recreation and Fish and Wildlife facilities, $8 million.

LOAN PROGRAM: The fiscal year 1985 budget request is $68 million compared to a fiscal year 1984 appropriation of $45 million. Under the Small Reclamation Projects Act work will continue on 11 projects and under the Distribution System Loans Act, work will continue on three projects. Five projects will be completed.

GENERAL INVESTIGATIONS: $36 million is requested for investigations and engineering and scientific studies for fiscal year 1985, an increase of $2 million from the amount appropriated for fiscal year 1984. Funds will be provided for 44 investigations including nine new studies throughout the 17 Western States with emphasis on increasing municipal and industrial water

supplies, enhancing water quality, and assisting in meeting irrigation and energy needs. The nine new studies are as follows:

1. Colorado-Big Thompson Pumped-Storage Project, Colorado
2. Deep-Carbonate Aquifer Project, Nevada
3. Imperial Irrigation District Canal Lining and System Improvement, California
4. Kidder County Ground Water Study, North Dakota
5. Mesa-Delta Municipal and Industrial Ground Water Project, Colorado
6. Northwest Oklahoma Water Supply Project, Oklahoma
7. San Joaquin Conveyance Study, Central Valley Project, California
8. Southeast Oklahoma Water Supply and Distribution Study, Oklahoma
9. Westside Irrigation Project, Wyoming

Advance planning work, part of the new two-stage planning process, is conducted under the General Investigations Program. The six new advance planning studies proposed for 1985 are:

1. Big Sandy River Unit, Colorado River Water Quality Improvement Program, Wyoming
2. CENDAK (Central South Dakota Water Studies), South Dakota
3. Colorado Coastal Plains Project, Texas Basins Project, Texas
4. Lower Colorado Water Supply Study, California
5. Seward Project, Oklahoma
6. Yakima Fish Passage and Protective Facilities, Yakima River Basin Water Enhancement Project, Washington

Funding will be provided for engineering and research activities to continue development of technologies to increase water supplies by cloud seeding techniques and to perform studies to assist in the planning, design, construction, and operation of multipurpose water resources projects.

OPERATION AND MAINTENANCE: For fiscal year 1985, $150 million is requested for operation and maintenance activities on 32 projects and associated programs. The fiscal year 1984 appropriation is $134 million.

OTHER ACTIVITIES: The fiscal year 1985 budget request includes $59 million for General Administrative Expenses, compared to the $54 million appropriated for fiscal year 1984. The Bureau's Foreign Activities Program operates under this account on a reimbursable basis. It provides technical assistance, consistent with U.S. foreign policy, to countries such as Egypt, Saudi Arabia, Zaire, Malaysia, and Israel. $1.0 million is requested for the

Emergency Fund in 1985, the same as appropriated in fiscal year 1984. $2.5 million is required in Permanent Appropriations for fiscal year 1985 compared to $2.7 million in fiscal year 1984. The level of funding through Trust Funds will be $15 million in fiscal year 1985 compared to $17 million in fiscal year 1984.

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Department of the Interior

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority

(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1984 Appropriation	Net Transfers and Requested Supplementals	FY 1984 Amount Requested	FY 1985 Estimate	Increase (+) or Decrease (-) FY 1985 Compared with 1984
LAND AND MINERALS MANAGEMENT					
Bureau of Land Management					
Management of Lands and Resources	359,601	---	359,601	353,159	-6,442
Construction and Access	1,200	500 1/	1,700	1,228	-472
Land Acquisition	1,391	310 1/	1,701	---	-1,701
Payments in Lieu of Taxes	105,000	---	105,000	105,000	---
Oregon and California Grant Lands	51,536	---	51,536	49,747	-1,789
Range Improvements	10,000	---	10,000	10,000	---
Special Acquisition for Lands and Minerals (Borrowing Authority)	---	---	---	10,000	+10,000
Service Charges, Deposits, and Forfeitures (Indefinite)	8,700	---	8,700	9,075	+375
SUBTOTAL	537,428	810	538,238	538,209	-29
Permanents & Trust Funds	74,123	---	74,123	70,647	-3,476
Budget Authority, Total	611,551	810	612,361	608,856	-3,505
Outlays, Total	610,210	---	610,210	608,388	-1,822

1/ Repayment from proposed supplemental of funds borrowed in FY 1983 for firefighting on public lands.

DEPARTMENT OF THE INTERIOR

Comparison of FY 1984 with FY 1985 Budget Authority

(in thousands of dollars)

Bureau or Office and Appropriation Title	FY 1984 Appropriation Enacted To Date	Net Transfers and Requested Supplementals	FY 1984 Estimate	FY 1985 Estimate	Increase (+) Decrease (-) 1984 Compared with 1985
LANDS AND MINERALS MANAGEMENT					
Minerals Management Service					
Minerals and Royalty Management	163,561	1,064 1/	164,625	167,381	+2,756
Subtotal	163,561	1,064	164,625	167,381	+2,756
Permanent Funds	714,812	--	714,812	599,115	-115,637
Budget Authority, Total	878,373	1,064	879,437	766,496	-112,941
Outlays, Total	908,688	1,008	909,696	765,788	-143,908

1/ Supplemental for 1984 pay raises and FICA changes.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority
(In Thousands of Dollars)

Bureau or Office and Appropriation Title	FY 1984 Appropriation	Net Transfers and requested Supplementals	FY 1984 Estimates	FY 1985 Estimates	Increase (+) or Decrease (-) 1985 Compared with 1984
LAND AND MINERALS MANAGEMENT					
Office of Surface Mining					
Regulation and Technology	65,450	5,245 1/	70,695	69,689	-1,006
Abandoned Mine Reclamation Fund	271,228	---	271,228	291,701	+20,473
Budget Authority, TOTAL	336,678	5,245	341,923	361,390	+19,467
Outlays, Total	207,241	2,445	209,686	250,704	+41,018

1/ Represents $470,000 for pay raise supplemental and $4,775,000 for Federal regulatory programs supplemental.

DEPARTMENT OF THE INTERIOR

Comparison of FY 1984 with FY 1985 Budget Authority

(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1984 Appropriation Enacted to Date	Net Transfers and Requested Supplementals	FY 1984 Amount Estimate	FY 1985 Estimate	Increase (+) Decrease (-) 1984 Compared with 1985
WATER AND SCIENCE					
U.S. Geological Survey					
Surveys, investigations & research	375,580	30,350[1/]	405,930	391,812	-14,118
Barrow area gas operation	--	13,000[2/]	13,000	--	-13,000
Subtotal	375,580	43,350	418,930	391,812	-27,118
Contributed funds	500	--	500	500	--
Budget Authority, Total	376,080	43,350	419,430	392,312	-27,118
Outlays, Total	410,214	43,350	453,564	392,003	-61,561

[1/] Includes $24,000 transferred from NPRA in FY 1983 carried forward and made available in FY 1984 and $6,350 transferred from Office of Water Policy for Water Resources Research Institutes.

[2/] Includes $13,000 supplemental to provide the additional funds needed for transferring the Barrow Gas fields to the Natives.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority
(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1984 Appropriation	Net Transfers and requested Supplementals	FY 1984 Estimate	FY 1985 Estimate	Increase (+) or Decrease (-) 1985 Compared with 1984
WATER AND SCIENCE					
Bureau of Mines					
Mines and Minerals	136,425	1,000 1/	137,425	117,634	-19,791
Trust Funds	700	--	700	500	-200
Budget Authority, Total	137,125	1,000	138,125	118,134	-19,991
Outlays, Total	147,616	1,000	148,616	125,898	-22,718

1/ Includes transfer from the Bureau of Land Management for $1,000,000 borrowed in FY 1983 for emergency fire suppression activities.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority
(In thousands of dollars)

Bureau or Office and Appropriation	FY 1984 Appropriation	Net Transfers and Requested Supplemental	FY 1984 Amount Requested	FY 1985 Estimate	Increase or Decrease (-) 1985 Compared with 1984
FISH AND WILDLIFE AND PARKS					
Fish and Wildlife Service					
Resource Management	271,303	1,031	272,334	291,600	+19,266
Construction and Anadromous Fish	27,301	1,850	29,151	9,127	-20,024
Land Acquisition and State Assistance	42,297	2,500	44,797	57,500	+12,703
Migratory Bird Conservation Account - Advance	7,000	...	7,000	...	-7,000
Development and Operation of Recreation Facilities	...	...	...	...	...
National Wildlife Refuge Fund Payments in Lieu of Taxes	5,760	...	5,760	5,760	....
Subtotal, Annual Appropriations	353,661	5,381	359,042	363,987	+4,945
Permanent and Trust Funds:					
Duck stamps	16,376	...	16,376	16,376	...
Other Permanent and Trust Funds	138,112	...	138,112	149,428	+11,316
Subtotal, Permanents and Trusts	154,488	...	154,488	165,804	+11,316
Budget Authority, Total	508,149	5,381a/	513,530	529,791	+16,261
Outlays, Total	514,516	4,597	519,113	523,884	+4,771

a/ Reflects supplementals for emergency fire suppression expenses and transfer/closure costs at 10 national fish hatcheries closed in the FY 1984 Appropriations Act. Transfer of a total of $4.35 million from the Bureau of Land Management is also reflected.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority
(In thousands of dollars)

Bureau or Office and Appropriation Title	1984 Appropriation	Net Transfers and requested Supplementals and Rescissions	1984 Amount Requested	Fiscal Year 1985 Estimate	Increase (+) or Decrease (-) 1985 Compared with 1984
FISH AND WILDLIFE AND PARKS					
National Park Service					
Operation of the National Park System	601,095	2,600[a]	603,695	624,648	+20,953
National Recreation and Preservation	10,377	--	10,377	9,543	-834
Historic Preservation Fund	26,500	--	26,500	--	-26,500
Construction	44,037[b]	--	44,037[b]	78,275[b]	+34,238
Land Acquisition	173,650	30,000[d]	203,650	100,000	-103,650
John F. Kennedy Center for the Performing Arts	4,542	--	4,542	4,621	+79
Urban Park and Recreation Fund	6,700	2,000[d]	8,700	--	-8,700
Visitor Facilities Fund	5,800	--	5,800	6,000	+200
Subtotal, Annual Appropriations	872,701	34,600	907,301	823,087	-84,214
Miscellaneous Permanent and Trust Funds	27,717	--	27,717	17,824	-9,893
Budget Authority, Total NPS	900,418[c]	34,600	935,018	840,911	-94,107
Outlays, Total	1,100,368	20,620	1,120,988	1,031,524	-89,464

a/ Supplemental request for forest fires.
b/ Does not include construction project funds which will be provided through contract authority allocated from the Highway Trust Fund as part of Federal Lands Highways Program of the Department of Transportation (1984=$100 million; 1985=$100 million)

c/ Excludes $30 million of permanent contract authority.
d/ Transfers from other agencies.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority

(In thousands of dollars)

	1984 a/ Appropriation to-date	Net Transfers b/ & Supplementals	Total 1984 Amount Requested	Fiscal Year 1985 Estimate	Inc. (+) or Dec.(-) 1985 Compared with 1984 to-date	Inc. (+) or Dec.(-) 1985 Compared with Total 1984 Req.
Bureau of Indian Affairs						
Operation of Indian Programs.....	823,902	27,271	851,173	855,372	+31,470	+4,199
Construction.....	78,920	9,600	88,520	73,324	-5,596	-15,196
Road Construction.....	4,000	---	4,000	--- c/	-4,000	-4,000
Eastern Indian Land Claims.....	900	---	900	---	-900	-900
Total, Federal Appropriations....	907,722	36,871	944,593	928,696	+20,974	-15,897
Permanent and Trust Funds.....	515,599	---	515,599	550,477	+34,878	+34,878
Budget Authority, Total BIA.....	1,423,321	36,871	1,460,192	1,479,173	+55,852	+18,981
Outlays, Total.....	1,490,939	34,520	1,525,459	1,504,255	+13,316	-21,204

a/ Amounts shown are net appropriations as authorized by P. L. 98-253, making appropriations for the Department of the Interior and Related Agencies, 1984 and P.L. 98-181, the Supplemental Appropriations Act, 1984.

b/ Includes pending fire suppression supplemental (+14,000), Ak Chin Irrigation Project (+17,000), transfer for Welfare Assistance Grants (+7,400) and Federal employee pay cost supplemental (+5,871) requested in the FY 1985 budget.

c/ Does not include program management, project construction and supervision funds which will be provided through contract authority allocated from the Highway Trust Fund as part of the Federal Lands Highway Program of the Department of Transportation (1984 = $100.0 million; 1985 = $100.0 million).

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority
(in thousands of dollars)

Bureau of Office and Appropriation Title	1984 Appropriation	Net Transfers and Requested Supplementals	1984 Amount Requested	Fiscal Year 1985 Estimate	Increase (+) or Decrease (-) 1985 Compared with 1984
Office of Territorial and International Affairs					
Administration of Territories	79,262	+2,302	81,564	53,829	-27,735
Trust Territory of the Pacific Islands	112,109	-264	111,845	96,132	-15,713
Payments to the U.S. Territories, Fiscal Assistance	59,800	--	59,800	63,000	+3,200
Micronesian Claims Fund *	--	--	--	--	--
Total, Office of Territorial and International Affairs	251,171	2,038	253,209	212,961	-40,248
Outlays	272,116	1,962	273,760	245,965	-27,795

* Affects Outlays in 1984 only.

DEPARTMENT OF THE INTERIOR

Comparison of FY 1984 with FY 1985 Budget Authority

(In thousands of dollars)

Bureau or Office and Appropriation Title	FY 1984 Appropriation Enacted to Date	Net Transfers and Requested Supplementals	FY 1984 Amount Estimate	FY 1985 Estimate	Increase (+) Decrease (-) 1985 Compared with 1984 Est.
SECRETARIAL OFFICES					
Office of the Solicitor					
Salaries and expenses	19,463	+220 1/	19,683	20,157	+474
Budget Authority, Total	19,463	+220	19,683	20,157	+474
Outlays, Total	19,652	+200	19,852	19,943	+91
Office of the Inspector General					
Salaries and expenses	16,814	+387 1/	17,201	18,053	+852
Budget Authority, Total	16,814	+387	17,201	18,053	+852
Outlays, Total	25,246	+368	25,614	18,473	-7,141
Office of the Secretary					
Departmental management	44,068	+200 1/	44,268	47,371	+3,103
Construction management	800	--	800	--	-800
Special foreign currency	420	--	420	--	-420
Budget Authority, Total	45,288	+200	45,488	47,371	+1,883
Outlays, Total	70,870	+175	71,045	47,873	-23,172

1/ Reflects pay raise supplemental.

DEPARTMENT OF THE INTERIOR

Comparison of Fiscal Year 1984 with Fiscal Year 1985 Budget Authority

(In thousands of dollars)

Bureau or Office and Appropriation Title	1984 Appropriation	Net Transfers and requested Supplementals	1984 Amount Requested	Fiscal Year 1985 Request	Increase (+) or Decrease (-) 1985 Compared with 1984
WATER AND SCIENCE					
BUREAU OF RECLAMATION					
General Investigations	33,831	226 1/	34,057	35,651	+1,594
Construction Program	695,318	---	695,318	764,137	+68,819
Operation and Maintenance	134,291	---	134,291	149,689	+15,398
Loan Program	45,000	---	45,000	67,537	+22,537
Emergency Fund	1,000	---	1,000	1,000	---
General Administrative Expenses	53,750	---	53,750	58,917	+5,167
Subtotal	963,190	226	963,416	1,076,931	113,515
Permanent and Trust Funds	19,620	---	19,620	17,850	-1,770
Budget Authority, Total	982,810	226	983,036	1,094,781	111,745
Outlays, Total	971,370	215	971,585	1,022,974	+51,389

1/ Reflects payraise supplemental

DEPARTMENT OF THE INTERIOR

Current Estimate of Receipts
FY 1983, 1984, and 1985

(In thousands of dollars)

Source Category	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate	Net Change FY 1985 Over FY 1984
Offsetting Receipts				
On-shore Mineral Leasing				
Rents and Bonuses				
Oil and Gas	163,580	209,500	222,000	+12,500
Coal	30,702	33,100	62,600	+29,500
Geothermal	11,428	17,500	8,300	-9,200
Oil Shale	---	---	9,500	+9,500
All Other	2,886	---	---	---
Royalties				
Oil and Gas	755,444	934,545	932,112	-2,433
Coal	76,144	77,800	146,200	+68,400
Geothermal	2,643	6,600	14,200	+7,600
Oil Shale	---	---	---	---
All Other	31,490	31,407	33,407	+2,000
Subtotal, Onshore Mineral Leasing	1,074,317	1,310,452	1,428,319	+117,867
Noncompetitive Filing Fees	86,183	87,500	95,600	+8,100
Grazing Fees	22,302	15,874	16,066	+192
Timber Fees	139,646	177,422	229,713	+52,291
Recreation Entrance/Use Fees	29,008	31,675	40,980	+9,305
All Other Fees, Licenses, and Commissions	9,646	19,277	19,883	+606
Rent of Land	23,749	22,324	23,233	+909
Sale of Lands, Buildings and Other Property	89,929	83,108	80,386	-2,722
Alaskan Native Fund and Awards for Indian Claims	50,291	75,000	75,000	---
Offsetting Interest	95,376	118,670	119,218	+548
All Other Offsetting Receipts	59,375	71,516	68,509	-3,007
Subtotal, Offsetting Receipts	1,679,822	2,012,818	2,196,907	+184,089
Undistributed Proprietary Receipts				
OCS Mineral Leasing				
Rents and Bonuses	7,543,764	5,200,000	3,334,000	-1,866,000
Royalties	2,948,000	3,500,000	3,300,000	-200,000
Escrow Payout	--	--	766,000	+766,000
Subtotal, OCS Mineral Leasing	10,491,764	8,700,000	7,400,000	-1,300,000
Interest on Escrow Payout	--	--	419,000	+419,000
Subtotal, Undistributed Proprietary Receipts	10,491,764	8,700,000	7,819,000	-881,000
Governmental Receipts				
Mined Land Reclamation Fee	196,159	207,182	218,620	+11,438
All Other Non-offsetting Receipts	3,587	29,390	33,190	+3,800
Subtotal, Governmental Receipts	199,746	236,572	251,810	+15,238
Undistributed Interfund Receipts				
Non-offsetting Interest	57,899	19,824	19,724	-100
Total, Receipts	12,429,231	10,969,214	10,287,441	-681,773

Proposed FY 1984 Deferrals and Rescissions

(In millions of dollars)

Bureau/Appropriation	1984 Appropriation Enacted	1984 Amount Proposed for Rescission/Deferral	1984 Amount Available for Obligation
Bureau of Mines			
Mines and Minerals			
Construction and Rehabilitation1/		1.7 (D)	0.8
National Park Service			
Land and Water Conservation Fund -			
Contract Authority	30.0	30.0 (R)	—
Land Acquisition	173.7	2.7 (D)	171.0
Construction (Trust Fund)	14.0	14.0 (D)	—

1/ An FY 1982 supplemental (P.L. 97-257) appropriated $5.1 million to the Bureau of Mines for the construction of a replacement facility for the Forbes Avenue property that was sold to Carnegie-Mellon University. In FY 1984, Congress took $2.6 million to finance the Bureau's operational programs, leaving an unobligated balance of $2.5 million. The Department will defer $1.7 million in FY 1984 in order to finance the Bureau's operational programs in FY 1985. The $1.7 million is not needed for construction because of the Department's decision to discontinue the printing operation currently located at the Forbes Avenue facility and to contract for printing services. The Bureau plans to construct a replacement facility (for office and storage space only) with the remaining $800,000.

FY 1984 SUPPLEMENTAL APPROPRIATION REQUESTS

Program Supplementals

(Dollar amounts in thousands)

Bureau/Appropriation	FTE/T	Amount Requested
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT		
Regulation and Technology -- For mine repermitting and mine plan review	--	4,775
GEOLOGICAL SURVEY		
Barrow Area Gas Operation, Exploration, and Development -- For payment to the North Slope Borough in Alaska	--	13,000
U.S. FISH AND WILDLIFE SERVICE		
Resource Management -- For fish hatchery transfers or closures	--	591
BUREAU OF INDIAN AFFAIRS		
Operation of Indian Programs -- Appropriation language providing $7.4 million by transfer from Construction account for welfare assistance grants	--	--
Construction -- For Ak Chin water settlement	--	17,000
TERRITORIAL AND INTERNATIONAL AFFAIRS		
Administration of Territories -- For annual Covenant inflation adjustment	--	1,984
BUREAU OF RECLAMATION		
Construction Program -- Appropriation language to provide for initiation of three construction new starts within available funds	--	--
Subtotal, Program Supplementals	--	37,350

Fire Suppression Supplementals

BUREAU OF LAND MANAGEMENT		
Management of Lands and Resources	--	38,160
U.S. FISH AND WILDLIFE SERVICE		
Resource Management	--	440
NATIONAL PARK SERVICE		
Operation of the National Park System	--	2,600
BUREAU OF INDIAN AFFAIRS		
Operation of Indian Programs	--	14,000
Subtotal, Fire Suppression Supplementals	--	55,200

Pay Supplementals

MINERALS MANAGEMENT SERVICE		
Minerals and Royalty Management	--	1,064
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT		
Regulation and Technology	--	470
BUREAU OF INDIAN AFFAIRS		
Operation of Indian Programs	--	5,871
TERRITORIAL AND INTERNATIONAL AFFAIRS		
Administration of Territories	--	54

Pay Supplementals (Continued)

(Dollar amounts in thousands)

Bureau/Appropriation	FTE/T	Amount Requested
OFFICE OF THE SECRETARY	--	200
OFFICE OF THE SOLICITOR	--	220
OFFICE OF THE INSPECTOR GENERAL	--	387
BUREAU OF RECLAMATION General Investigations	--	226
Subtotal, Pay Supplementals	--	8,492
Total, FY 1984 Supplementals	--	101,042

FY 1984 TRANSFERS

From:	Bureau of Land Management, Management of Lands and Resources	--	-38,160
To:	Bureau of Land Management, Construction and Access	--	+500
To:	Bureau of Land Management, Land Acquisition	--	+310
To:	Bureau of Mines, Mines and Minerals	--	+1,000
To:	U.S. Fish and Wildlife Service, Construction	--	+1,850
To:	U.S. Fish and Wildlife Service, Land Acquisition	--	+2,500
To:	National Park Service, Urban Park and Recreation Fund	--	+2,000
To:	National Park Service, Land Acquisition	--	+30,000
	To repay funds borrowed by Bureau of Land Management in 1983 for fire suppression and restored by requested 1984 supplemental		
From:	Geological Survey, Exploration of National Petroleum Reserve in Alaska	--	-17,000
To:	Geological Survey, Barrow Area Gas Operation, Exploration, and Development	--	+17,000
	Transfer of funds in supplemental appropriation language to be used with $13 million proposed supplemental for payment to the North Slope Borough in Alaska		
From:	Bureau of Indian Affairs, Construction	--	-7,400
To:	Bureau of Indian Affairs, Operation of Indian Programs	--	+7,400
	Transfer of funds in supplemental appropriation language to be used for welfare assistance grants		
From:	Territorial and International Affairs, Trust Territory of the Pacific Islands	--	-264
To:	Territorial and International Affairs, Administration of Territories	--	+264
	Transfer of funds in supplemental appropriation language to reimburse the EPA Superfund		
From:	Office of the Secretary, Office of Water Policy	--	-6,350
To:	Geological Survey, Surveys, Investigations and Research	--	+6,350
	Transfer of funds for grants to State Water Research Institutes pursuant to P.L. 98-146		

DEPARTMENT OF THE INTERIOR

AUTHORIZING LEGISLATION REQUIRED FOR FY 1985

(In thousands of dollars)

	Existing Authorization	Expiration Date	Amount Requested in Budget
I. Continuing Programs:			
BUREAU OF LAND MANAGEMENT			
Management of Lands and Resources - MLR (except Firefighting)	P.L. 95-352 P.L. 97-35	9/30/82 9/30/84	348,409
Withdrawal Processing ($10,000 in MLR amount)	P.L. 94-579	Until Expended	(1,235)
Withdrawal Review ($10,000 in MLR amount)	P.L. 94-579	Until Expended	(2,881)
Construction and Access	P.L. 95-352 P.L. 97-35	9/30/82 9/30/84	1,228
Payments in Lieu of Taxes	P.L. 95-352 P.L. 97-35	9/30/82 9/30/84	105,000
FISH AND WILDLIFE SERVICE			
Marine Mammal Protection Act	P.L. 92-522	9/30/84	2,230
NATIONAL PARK SERVICE			
John F. Kennedy Center for the Performing Arts	P.L. 98-146	9/30/83	4,621
II. New Program Authority:			
BUREAU OF LAND MANAGEMENT			
Adoption and Sale of Wild Horses and Burros	---	---	375
FISH AND WILDLIFE SERVICE			
State Wetland Grants	---2/	---	7,500
Federal Wetland Acquisition	---2/	---	20,000
BUREAU OF RECLAMATION			
Construction Program:			
Santa Margarita Project, California	P.L. 83-547	None1/	1,500
Palisades Project, Palisades Powerplant Enlargement, Idaho	---	---	200
Boulder Canyon Project - Improvements, Nevada, Arizona	---	---	2,000
Working Capital Fund	---	---	---

1/ Additional authorization needed prior to construction of project features included in FY 1985 budget.
2/ Proposed amendments to P.L. 88-578.

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NATIONAL PARK SERVICE
Land Acquisition Program
FY 1985 (Amounts in Thousands)

Area	Amount
Alaskan Areas	$ 500
Antietam National Battlefield, Md.	500
Appalachian National Scenic Trail, Maine-Ga.	7,000
Big Cypress National Preserve, Fla.	5,000*
Big Thicket National Preserve, Texas	5,000*
Cape Lookout National Seashore, N.C.	4,000#
Chaco Culture National Historical Park, N.M.	500
Chesapeake and Ohio Canal National Historical Park, D.C.-Md.-W.Va.	500
Cuyahoga Valley National Recreation Area, Ohio	5,000
Delaware Water Gap National Recreation Area, N.J.-Pa.	1,000
Fort Frederica National Monument, Ga.	300*
Golden Gate National Recreation Area, Calif.	1,000
Jean Lafitte National Historical Park, La.	3,000
Lower St. Croix National Scenic River, Minn.-Wis.	500
Manassas National Battlefield Park, Va.	2,500
Martin Luther King, Jr. National Historic Site, Ga.	500
Monocacy National Battlefield, Md.	1,500
New River Gorge National River, W.Va.	1,000
Petersburg National Battlefield, Va.	1,550
Point Reyes National Seashore, Calif.	1,500
Redwood National Park, Calif.	10,000
Rocky Mountain National Park, Colo.	1,000
St. Croix National Scenic Riverway, Minn.-Wis.	1,000
Salinas National Monument, N.M.	500
San Antonio Missions National Historical Park, Texas	1,500
Santa Monica Mountains National Recreation Area, Calif.	5,890
Saratoga National Historical Park, N.Y.	200
Sequoia National Park (Mineral King Unit), Calif.	1,500
Sleeping Bear Dunes National Lakeshore, Mich.	7,900
Valley Forge National Historical Park, Pa.	1,500
Voyageurs National Park, Minn.	1,000
War in the Pacific National Historical Park, Guam	1,000
Deficiencies and Relocation Assistance	5,000
Inholdings	10,000
Emergency and Hardship	2,400
Acquisition Management	7,260
Total	$100,000

*Request exceeds authorized acquisition ceiling, but is within limits of Public Law 95-42 (permits excess of $1 million or 10 percent of ceiling, whichever is greater).

#Requires legislation to increase acquisition ceiling.

FISCAL 1985

PROPOSED CONSTRUCTION PROGRAM

U.S. Department of the Interior
National Park Service

FISCAL 1985 LINE ITEM CONSTRUCTION PROGRAM

Park Name	Package No.	Project Description	Amount
Denali National Park and Preserve	202	Develop Savage River Campground, Replace Sewer Systems	$546,000
Glacier National Park	243	Replace Comfort Station and Sewage System, Logan Pass	476,000
Grand Canyon National Park	174	Reconstruct Transcanyon Water Supply System	6,879,000
Grand Canyon National Park	360	Construct Water Distribution System, Village Area (Phase 1)	4,065,000
Grand Teton National Park	332	Reconstruct Triangle X Water and Sewer Systems	726,000
Klondike Gold Rush National Historical Park	114	Restore Historic Buildings, Phase II	702,000
North Cascades National Park	296	Rehabilitate Marblemount Water Systems	450,000
Rocky Mountain National Park	291	Replace Facilities Damaged in 1982 Lawn Lake Flood	549,000
Sequoia and Kings Canyon National Parks	114	Construct Grant Grove Water and Sewer Systems	9,242,000
Sequoia and Kings Canyon National Parks	200	Develop Phase II, Water, Sewer and Roads - Clover Creek	9,652,000
Sitka National Historical Park	121	Construct River/Beach Erosion Control	754,000

Park Name	Package No.	Project Description	Amount
Yellowstone National Park	620	Rehabilitate Purchased Concessions Facilities (Completion)	7,500,000
Yosemite National Park	262	Construct Wawona Water System	5,986,000
Yosemite National Park	249	Rehabilitate Water System, Yosemite Valley	8,577,000
Yosemite National Park	451	Construct Sewage Collection and Disposal System Wawona, Phase II	5,549,000
		Total, Line Item Construction	61,653,000

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

o Bureau: Bureau of Indian Affairs

1. Account: Road Construction

Proposed: Allow funds available to the Bureau of Indian Affairs from the Highway Trust Fund to be used to cover roads program management costs and construction supervision costs, not to exceed six percent of available contract authority.

Language: Provided, That funds available to the Bureau of Indian Affairs from the Federal Highway Trust Fund may be used to cover roads program management costs and construction supervision costs of the Bureau of Indian Affairs not to exceed six percent of available contract authority.

Explanation: For FY 1985, $100 million of contract authority is available for Indian roads from the Federal Highway Trust Fund. The BIA budget excludes $5.2 million for program management and contract supervision costs which were covered in FY 1984. The funds will instead come from the Highway Trust Fund. This language ensures that funds necessary to administer the BIA program are not subject to the 3.75 percent restriction in FHWA regulations.

2. Account: Operation of Indian Programs

Proposed: Add language to discontinue the provision of Indian Child Welfare Act grants to off-reservation programs not within traditional Bureau service areas.

Language: Addition: " . . . Provided further, That notwithstanding the provisions of Section 202, Title II of the Indian Child Welfare Act of 1978 (25 U.S.C. 1932), none of the funds appropriated herein for Indian Child Welfare Act grants shall be expended on grants to off-reservation Indian organizations . . . "

Explanation: The Bureau of Indian Affairs (BIA) has been providing grants under the Indian Child Welfare Act to off-reservation programs, in or near urban areas where other sources of assistance are available. By limiting the grants to reservation programs in traditinal service areas, BIA can strengthen these programs.

Bureau: Bureau of Indian Affairs

3. Account: Administrative Provisions

Proposed: Add two schools to the list of those for which no further funding may be spent by the Bureau of Indian Affairs.

Language: Provided, That no part of any appropriations to the Bureau of Indian Affairs shall be available to continue academic and residential programs of the . . .; Mount Edgecumbe boarding school, Alaska; Intermountain boarding school, Utah; . . .

Explanation The purpose of adding Mt. Edgecumbe and Intermountain boarding schools to the list contained each year in the appropriations language is to clarify in one place which schools the Congress has permanently closed.

4. Account: Indian Loan Guaranty and Insurance Fund

Proposed: Delete reference to a specific dollar limitation on guaranteed loans.

Language: "During Fiscal Year 1985, and within the resources and authority available, total commitments to guarantee loans may be made only to the extent that the total loan principal, any part of which is to be guaranteed, shall not exceed resources and authority available."

Explanation: In FY 1985 it is anticipated that no new loans will be guaranteed as all available funds will be needed to support outstanding guaranteed loans. Rather than show a zero dollar limitation, the language restricts use to the resources available, which are zero dollars.

o Bureau: Bureau of Land Management

5. Account: Service Charges, Deposits and Forfeitures

Proposed: To clarify Secretary's authority to collect the full actual costs of processing applications relating to public lands without regard to other factors listed in section 304(b) of FLPMA.

Language: Provided, That, pursuant to this Act and hereafter, and except with respect to those applications for which costs are recovered on the basis of a schedule of fees or charges fixed by regulations, the amounts collected under section 304 of the Act of October 21, 1976, and sections 101 and 203 of Public Law 93-153 and appropriated under this heading shall be sufficient to meet the actual cost, including direct and indirect costs, to the United States, as determined by the Secretary, of the application processing and other activities, including the full cost of preparation of environmental impact statements, required in connection with the application for which such charges are made; Provided further, That, pursuant to this Act and hereafter, and except with respect to those applications for which costs are recovered on the basis of a schedule of fees or charges fixed by regulation, no funds other than those appropriated under this heading, or otherwise available under the provisions of subsection 307(c) may be used to meet the costs determined by the Secretary, in his discretion, to be reasonable under section 304(b) of the Act of October 21, 1976.

Explanation: This language, which was rejected by the Senate and Conferees in FY 1984, is a response to a recent ruling to consolidated appeals in Nevada Power Co., et al. v. U.S. (Tenth Circuit, June 16, 1983). The Court ruled that the Secretary must on a case-by-case basis, consider all factors listed in section 304(b) of FLPMA in determining whether costs charged to applicants for special benefits are reasonable.

The language is being added to clarify our intent that the Secretary collect the full, actual cost of processing these applications without regard to other factors listed in section 304(b). Further, except for donated funds, only those funds collected from applicants and deposited in the section 304(b) revolving fund account may be expended for the purpose of processing applications. An exception is provided for those applications, relatively inexpensive to process, which are subject to a fixed schedule of fees or charges set by regulation. BLM may continue to use funds appropriated

elsewhere in this Act to process these latter categories of applications.

The FY 1985 Budget includes a substantial increase from FY 1983 to FY 1984 in costs recovered from rights-of-way (ROW) processing, based on new regulations for energy ROW's being issued under the Mineral Leasing Act. This proposed appropriation is necessary to allow similar regulations to be prepared for full cost recovery in the case of non-energy applications.

6. Account: Special Acquisition of Lands and Minerals

Proposed: Request $10 million or equivalent in monetary credits to acquire non-Federal mineral rights in and contiguous to the Cranberry Wilderness Area of West Virginia.

Language: "For the purchase of non-Federal coal deposits and other mineral interests and rights pursuant to Public Law 97-466, $10,000,000 or the equivalent in monetary credits, to remain available until expended."

Explanation: P.L. 97-466 established the Cranberry Wilderness Area in the Monongahela N.F. and directs the Secretary to acquire all mineral interests and rights within the Wilderness Area, as well as certain mineral interests and rights outside the Wilderness Area. For this purpose, the Secretary is authorized to extend monetary credits to the owner (CSX Corporation) based on the fair market value of these interests and rights. The monetary credits could be transferred or sold and used to pay the Federal Government's share of mineral leasing bonuses, rentals, and royalties; or to acquire other Federal property. The Secretary could also, at his sole option, simply purchase the interests and rights. The Act goes on to require "That no payments shall be effective except . . . in such amounts as are provided in advance in Appropriation Acts."

The Act requires that the Secretary, in consultation with the owner, determine fair market value of these interests and rights by January 13, 1984. This is still under review within BLM but the FY 1985 Budget currently requests $10 million for this purpose.

o Bureau: Bureau of Reclamation

7. Account: Construction Program

Proposed: FY 1984 Supplemental: Initiate construction of the Headgate Rock Hydroelectric Project, the Buffalo Bill Dam Modification, Pick-Sloan Missouri Basic Program, and the Santa Margarita Project.

Language: (Appropriation language now requested, additional authorizing legislation required.)

Within available funds, such sums as may be necessary shall be available to initiate construction of the Headgate Rock Hydroelectric Project, the Buffalo Bill Dam Modification, Pick-Sloan Missouri Basin Program, and the Santa Margarita Project: Provided, That the sums required to construct the Headgate Rock Hydroelectric Project shall be available pursuant to the Snyder Act (25 U.S.C. 13), to be expended by the Bureau of Reclamation.

Explanation: This proposed language would permit available funds to be used to initiate construction of the Buffalo Bill Dam Modification, Pick-Sloan Missouri Basin Program, Wyoming, the Headgate Rock Hydroelectric Project, Arizona, and the Santa Margarita Project, California.

8.

Proposed: To provide for financing from revenues to the Colorado River Dam Fund to pay for replacements at the Hoover Powerplant.

Language: . . . and of which such sums as may be required for replacements associated with uprating Hoover Powerplant shall be derived from the Colorado River Dam Fund.

Explanation: This language is required to provide for the share of the cost of the Hoover Powerplant uprating program that is classified as replacements and, under the terms of the Boulder Canyon Adjustment Act, must be financed from revenues to the Colorado River Dam Fund.

9.

Proposed: To clarify the authority for construction of the Headgate Rock Hydroelectric Project.

Language: Provided further, That of the total appropriated sums necessary for the purpose of designing and constructing the Headgate Rock Hydroelectric Project, Arizona, are appropriated pursuant to the Snyder Act, 25 U.S.C. 13, to be expended by the Bureau of Reclamation.

Explanation: Headgate Rock Dam was authorized by the Rivers and Harbors Act of 1935 and built by the Bureau of Indian Affairs. In accordance with a recent opinion by the Department of the Interior Solicitor, construction of the powerplant by the Bureau of Reclamation is authorized by the Snyder Act of 1921. The Snyder Act authorizes appropriations for construction associated with expanding or improving an existing Indian irrigation project. The addition of language in the fiscal year 1985 budget request will make it clear that this is the authority being used by the Bureau of Reclamation for installation of hydroelectric power facilities on this project.

10.

Proposed: To alleviate Canadian concerns about the pollution of Canadian waters by construction of the Garrison Diversion Unit.

Language: Provided further, That the design, construction and operation of the Garrison Diversion Unit are to be accomplished so as to meet the United States' obligations under the Boundary Waters Treaty of 1909 and that no construction potentially affecting waters flowing into Canada will be undertaken.

Explanation: Language has been inserted to address Canadian concerns about the polluting of Canadian waters resulting from construction of the Garrison Diversion Unit. The fiscal year 1984 Conference report included a directive which stated that "No appropriation, fund, or authority under this heading shall be used for construction of features of the Garrison Diversion Unit in North Dakota affecting waters flowing into Canada through chemical pollution, introduction of foreign biota, destructively increasing or decreasing quantity and/or rate of flow, or in any other harmful way." Because of this directive and to reaffirm the Bureau's intent to comply with this directive we are inserting language in the Construction Program appropriation language.

11. Account: Working Capital Fund

Proposed: To establish a working capital fund in the Bureau of Reclamation.

Explanation: The fund will provide for more efficient financing and financial management of expenses necessary for furnishing supplies, equipment, and services in support of Bureau programs and for work performed for others in accordance with the Economy Act and other laws. Legislation authorizing the establishment of this fund is also being transmitted with the Budget by the Office of Legislative Counsel.

12. Account: Operation and Maintenance

Proposed: To eliminate conflicting provisions included in prior year appropriation language.

Language: Provided further, That of the total appropriated such amounts as may be required for the Boulder Canyon Project shall be derived from the Colorado River Dam Fund and such amounts as may be required for replacements which would require readvances to the Colorado River Dam Fund under Section 5 of the Boulder Canyon Project Adjustment Act of July 19, 1940 (43 U.S.C. 618d), are to be considered as though readvanced under said section.

Explanation: The FY 1984 appropriation language included conflicting provisions which can be clarified by deletion of the two separate provisions pertaining to the Boulder Canyon Project ". . . and such amounts as may be required for the Boulder Canyon Project shall be derived from the Colorado River Dam Fund: . . ." and ". . . Provided further, That such amounts as may be required for replacements on the Boulder Canyon Project which would require readvances to the Colorado River Dam Fund under section 5 of the Boulder Canyon Project Adjustment Act of July 19, 1940 (43 U.S.C. 618d), are to be considered as though readvanced under said section. . . ." and insertion of a combined proviso for the Boulder Canyon Project.

The first proviso regarding the Boulder Canyon Project is inconsistent with the second proviso regarding the same project. The amounts mentioned in the second proviso which would be considered as readvances would have to come from the General Fund but the first proviso indicates that all money appropriated for the Boulder Canyon Project would come from the Colorado River Dam Fund. Eliminating the conflicting provisos and inserting the combined proviso would clarify this matter.

13. Account: General Investigations

Proposed: To provide new language which would not specify the amounts for program activities to be financed by the reclamation fund or the general fund.

Language: Provided, That of the total appropriated, the amount $35,651,000, for program activities which can be financed by the Reclamation Fund may be derived from the fund.

Explanation: Prior year language specified the amount of the budget request to be derived from the reclamation fund. The fiscal year 1985 budget estimates include a program which provides for weather modification activities outside the 17 western States and must be financed from the general fund. Eliminating specific amounts to be derived from the Reclamation fund and inserting new language which allows use of the two fund sources will provide more flexibility to meet program requirements.

14.

Proposed: To provide for reimbursement of advance planning activities if a project is authorized for construction.

Language: Provided further, That all costs of an advance planning study of a proposed project shall be considered to be construction costs and to be reimbursable in accordance with the allocation of construction costs if the project is authorized for construction.

Explanation: The language is needed to assure that advance planning study costs, previously funded from the construction appropriation, but now funded from the general investigations appropriation, continue to be reimbursable if allocated to reimbursable purposes. Historically, all general investigations expenditures have been considered nonreimbursable. Previously, advance planning was initiated after a project was authorized for construction and expenditures were considered reimbursable if allocated to reimbursable purposes.

With the implementation of the new two-stage planning process, advance planning and most preconstruction studies will be conducted using General Investigations rather than Construction Program appropriations. If a project is authorized for construction these General Investigations expenditures would then be considered to be a construction cost and be reimbursable to the extent provided by Reclamation law.

o Bureau: Geological Survey

15. Account: Barrow Area Gas Operation, Exploration and Development

Proposed: An FY 1984 Supplemental is being proposed to finance ($30 million), turn over operation of the Barrow Gas Fields to a unit of local government, and to authorize exchange of lands between the Arctic Slope Regional Corp and the Secretary of the Interior.

Language: "For payment to the North Slope Borough of Alaska in accordance with the terms and conditions of the Agreement, including appendices between the Secretary and North Slope Borough dated September 22, 1983, on file with the Senate and House Committees on Appropriations, which is hereby incorporated into this Act. $13,000,000, together with $17,000,000 to be derived by transfer from "Exploration of National Petroleum Reserve in Alaska"; Provided, That the limitation on appropriations contained in section 102(b) of Appendix 2 does not apply: Provided further, that in consideration for the relinquishment of rights which the Arctic Slope Regional Corporation (ASRC) has under section 1431(o) of the Alaska National Interest Lands Conservation Act, the Secretary of the Interior and the ASRC are authorized to exchange lands and interests as set forth in the separate Agreement between the Secretary and the ASRC on file with the Senate and House Committees on Appropriations, which is hereby incorporated into this Act. Section 104(e) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6504) is repealed effective October 1, 1984.

Explanation: In order to transfer the gas fields to a unit of local government in Alaska by the end of FY 1984, the Department has proposed "stand alone" appropriation language to accomplish the financing and the necessary authorizing provisions. Legislation was previously submitted and is currently pending in Congress.

o. Bureau: Minerals Management Service

16. Account: Minerals and Royalty Management

Proposed: Cost of collecting onshore mineral receipts shall be deducted prior to the division and distribution of such receipts.

Language: "Provided, That not withstanding any other provisions of law, the amount expended in the collection of Federal onshore mineral leasing receipts shall be deducted prior to the division and distribution of such receipts between the States and the Treasury, and shall be credited to miscellaneous receipts of the Treasury."

Explanation: States receive at least 50 percent of the revenues from mineral leases on public lands, but all the costs of collection are borne by the Federal Government. This provision will result in the States sharing the costs of collection with the Federal Government.

o Bureau: National Park Service

17. Account: Operation of the National Park System

Proposed: Make available entrance and special recreation use fees.

Language: Provided further, That section 402 of the National Parks and Recreation Act, 1978 Amendments, Public Law 96-87 (93 Stat. 664, 666), which contains a prohibition on user fees for transportation services and facilities in Denali National Park, Alaska, is repealed: Provided further, That notwithstanding any other provision of law, the National Park Service shall hereafter establish or continue reasonable entry and special recreation user fees for all units of the National Park System administered by the Department of the Interior, where practical, and that such fees may from time to time be revised: Provided further, That the provisions of Public Law 96-514 which provide that revenues from Federal agency recreation fee collections shall be paid into the Land and Water Conservation Fund, are repealed.

Explanation: Repeal the prohibition on charging user fees for transportation services and facilities in Denali National Park, Alaska; and allow NPS to establish or continue reasonable entry and special recreation use fees for all units of the National Park System; allow that such fees may from time to time be revised; and repeal the requirement that recreation fees collected be deposited into the Land and Water Conservation Fund. Legislation was submitted in February, 1983 and is currently pending.

18. Account: Land Acquisition and State Assistance

Proposed: Rescind contract authority (in FY 1984 and permanently in FY 1985).

Language: . . . Provided further, That section 9 of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460ℓ-10a) is repealed.

Explanation: Legislation is proposed to amend the Land and Water Conservation Fund Act to remove contract authority for land acquisition. Significant increases in the authorized level of the Fund and the use of reprogramming procedures have eliminated the need for this authority.

19. Account: Planning, Development, and Operation of Recreation Facilities

Proposed: Make available recreation user fees.

Explanation: Proposed legislation would make recreation user fees, now deposited into the Land and Water Conservation Fund, available to operate and improve the recreational and other programs of the National Park Service.

Bureau: National Park Service

20. Accounts: Operation of the National Park System (ONPS) and Construction

Proposed: Fund PRIP related activities from the Land and Water Conservation Fund

Language: ONPS -- "including $73,000,000 to restore and improve National Park Service facilities, to be derived from the Land and Water Conservation Fund"

Language: Construction -- "$78,275,000, to be derived from the Land and Water Conservation Fund"

Explanation: Proposed language would fund all park restoration and improvement projects from the Land and Water Conservation Fund rather than from the General Fund of the Treasury as has been the case.

o Bureau: Office of Surface Mining Reclamation and Enforcement

21. Account: Regulation and Technology

Proposed: Increase the uniform allowance for each uniformed employee to $400.

Language: . . . .; and uniform allowances of not to exceed $400 for each uniformed employee of the Office of Surface Mining Reclamation and Enforcement.

Explanation: The present uniform allowance of $125 per employee does not cover the cost and maintenance expense being incurred by the employee. This increase will give OSM employees the same allowance presently authorized for employees of the National Park Service.

Bureau: Territorial and International Affairs

22. Account: Administration of Territories

Proposed: Deletion of "construction grants to Guam of $11,350,000; direct"

Language: "construction grants to Guam to be available only upon enactment of authorizing legislation;"

Explanation: The FY 1985 Budget Appendix erroneously included the above language, when in fact the language was to have been deleted. The FY 1985 budget justifications for this account contain the correct language.

o Bureau: U.S. Fish and Wildlife Service

23. Account: Land Acquisition and State Assistance

Proposed: Establish a wetland conservation program.

Language: "For the acquisition of lands, waters, or interests in lands or waters, including administrative expenses, $57,500,000, to be derived from the Land and Water Conservation Fund, to remain available until expended: Provided, That $30,000,000 shall be for expenses necessary to carry out the provisions of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460ℓ-4 to 11), in accordance with statutory authority applicable to the United States Fish and Wildlife Service: Provided further, That notwithstanding the provision of 16 U.S.C. 460ℓ-9(a)(1), with respect to migratory waterfowl areas, $20,000,000 shall be available for Federal acquisition of lands, waters or interests therein for the conservation of wetlands, and $7,500,000 shall be available for grants to States for wetland conservation, of which not to exceed 4 per centum shall be available to the United States Fish and Wildlife Service to administer such program.

Explanation: Allow monies from the Land and Water Conservation Fund to be used for Federal and State purchase of wetlands.

24. Account: Development and Operation of Recreation Facilities

Proposed: Make available recreation user fees.

Explanation: Proposed legislation for the National Park Service would also impact the Fish and Wildlife Service (FWS) recreation user fees charged and collected by the FWS, and which are now deposited into the Land and Water Conservation Fund, would become available to operate and improve the recreational programs of the Fish and Wildlife Service. Beginning in FY 1985 and each year thereafter, receipts collected from recreation user fees would be placed in a special Treasury account to be available to the Service until expended by the Secretary beginning in FY 1986.

o Bureau: Department of the Interior

25. Account: General Provisions - Title I - Section 109

Proposed: Include a provision for deducting reasonable cost of debt collection from amounts collected.

Language: Sec. 109. Appropriations made to the Department of the Interior in this title shall be available to enter into contracts with any person or organization for collection of services to recover indebtedness owed the United States, and to pay for the reasonable cost of such collection services from amounts collected.

Explanation: In order to enter into contracts with debt collection companies advance approval must be provided in appropriations acts.

26. Account: General Provisions - Title III - Sec. 308

Proposed: Revise the prohibitions on mineral leasing in order to provide more consistent treatment for wilderness study areas.

Language: (Sec. 308) 306. Except for lands described by sections 105 and 106 of Public Law 96-550, section 103 of Public Law 96-550, section 5(d)(1) of Public Law 96-312, and except for land in the State of Alaska and lands in the national forest system or public lands released to management for any use the Secretary of Agriculture or the Secretary of the Interior deems appropriate through the land management planning process by any statement or other Act of Congress designating components of the National Wilderness Preservation System now in effect or hereinafter enacted . . .

Provided further, That funds provided in this Act may be used by the Secretary of the Interior to issue oil and gas leases for the subsurface of any Federal lands within any Forest Service RARE II areas recommended for wilderness designation or allocated to further planning in Executive Communication 1504, Ninety Sixth Congress (House Document numbered 96-119), or within any wilderness study areas designated by Congress or within any Bureau of Land Management wilderness study areas, that are immediately adjacent to producing oil and gas fields or areas that are prospectively valuable. Provided further, That funds provided in this Act may be used by the Secretary of the Interior to issue oil and gas leases for the

subsurface of any Federal lands within any component of the National Wilderness Preservation System which is closed by law to leasing where the oil or gas resources underlying such lands are being drained through oil or gas wells on adjacent lands: Provided further, That any oil and gas leases issued for such lands adjacent to producing oil and gas fields or to areas prospectively valuable or for such lands subject to drainage shall allow no surface occupancy and may be entered only by directional drilling from outside the wilderness or by other nonsurface disturbing methods.

Explanation: The Department proposes to revise the prohibitions on mineral leasing in order to provide more consistent treatment for the various categories of wilderness study areas and to reflect the closing of designated wilderness areas to mineral leasing as of December 31, 1983, under Section 4(d)(3) of the Wilderness Act (16 U.S.C. 1113(d)(3).

The first change would treat Bureau of Land Management lands the same as Forest Service lands, in that areas which are released from wilderness study status by legislative action would be released from Section 308 leasing prohibitions.

The final set of changes would treat administratively designated study areas immediately adjacent to producing oil and gas fields, or to prospectively valuable areas, the same as Congressionally designated study areas; that is, the subsurface could be leased in order to protect Federal oil and gas resources. In addition, a somewhat stricter standard would be applied to wilderness areas in that actual drainage of the oil or gas resources through wells on adjacent lands would have to occur before the Federal subsurface could be leased. This provision allows the Secretary to exercise his responsibility to protect the Nation's resources. The final sentence of the FY 1984 language has been rewritten as a proviso applying to both wilderness areas and wilderness study areas but retaining the current standard that prohibits surface occupancy and allows "slant drilling" from adjacent non-wilderness areas.

APPENDIX II

Responses From Secretary Clark to Additional Committee Questions

Questions Submitted to Secretary Clark

Department of the Interior

From
Committee on Energy and Natural Resources

February 14, 1984

Questions 1 - 7, Submitted by the Majority
Questions 8 - 9, Submitted by Senator Hatfield
Questions 10 - 14, Submitted by Senator Weicker
Questions 15 - 18, Submitted by Senator Murkowski
Question 19, Submitted by Senator Chafee
Questions 20 - 31, Submitted by Senator Evans
Questions 32 - 91 , Submitted by Senator Johnston
Questions 92 - 102, Submitted by Senator Bumpers
Questions 103 - 108, Submitted by Senator Metzenbaum
Questions 109 - 112, Submitted by Senator Bradley
Question 113 - Additional Question Submitted by Senator Johnston

QUESTIONS SUBMITTED BY THE MAJORITY

1. Question: Would you provide for the record a list of legislative initiatives accompanying the proposed fiscal year 1985 budget? Would you include a statement of purpose, proposed language (if available at this time but, if not, an indication of when it will be available); and an explanation of the language? Would you also indicate whether it is your intention to submit legislation and whether, in your judgment, such legislation would be forwarded to the authorizing committee or to the Appropriations Committee?

Answer: The FY 1985 budget includes a number of legislative proposals reflected in appropriation language provisions. This language, which is part of the budget material which has already been made available to the Congress, will be reviewed by the Appropriations Committees as they consider all aspects of the FY 1985 request. A list of these proposals follows:

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

- Bureau: Bureau of Land Management

Account: Service Charges, Deposits and Forfeitures

Proposed: To clarify Secretary's authority to collect the full actual costs of processing applications relating to public lands without regard to other factors listed in section 304(b) of FLPMA.

Language: Provided, That, pursuant to this Act and hereafter, and except with respect to those applications for which costs are recovered on the basis of a schedule of fees or charges fixed by regulations, the amounts collected under section 304 of the Act of October 21, 1976, and sections 101 and 203 of Public Law 93-153 and appropriated under this heading shall be sufficient to meet the actual cost, including direct and indirect costs, to the United States, as determined by the Secretary, of the application processing and other activities, including the full cost of preparation of environmental impact statements, required in connection with the application for which such charges are made; Provided further, That, pursuant to this Act and hereafter, and except with respect to those applications for which costs are recovered on the basis of a schedule of fees or charges fixed by regulation, no funds other than those appropriated under this heading, or otherwise available under the provisions of subsection 307(c) may be used to meet the costs determined by the Secretary, in his discretion, to be reasonable under section 304(b) of the Act of October 21, 1976.

Explanation: This language, which was rejected by the Senate and Conferees in FY 1984, is a response to a recent ruling to consolidated appeals in Nevada Power Co., et al. v. U.S. (Tenth Circuit, June 16, 1983). The Court ruled that the Secretary must on a case-by-case basis, consider all factors listed in section 304(b) of FLPMA in determining whether costs charged to applicants for special benefits are reasonable.

The language is being added to clarify our intent that the Secretary collect the full, actual cost of processing these applications without regard to other factors listed in section 304(b). Further, except for donated funds, only those funds collected from applicants and deposited in the section 304(b) revolving fund account may be expended for the purpose of processing applications. An exception is provided for those applications, relatively inexpensive to process, which are subject to a fixed schedule of fees or charges set by regulation. BLM may continue to use funds appropriated

elsewhere in this Act to process these latter categories of applications.

The FY 1985 Budget includes a substantial increase from FY 1983 to FY 1984 in costs recovered from rights-of-way (ROW) processing, based on new regulations for energy ROW's being issued under the Mineral Leasing Act. This proposed appropriation is necessary to allow similar regulations to be prepared for full cost recovery in the case of non-energy applications.

Account: Special Acquisition of Lands and Minerals

Proposed: Request $10 million or equivalent in monetary credits to acquire non-Federal mineral rights in and contiguous to the Cranberry Wilderness Area of West Virginia.

Language: "For the purchase of non-Federal coal deposits and other mineral interests and rights pursuant to Public Law 97-466, $10,000,000 or the equivalent in monetary credits, to remain available until expended."

Explanation: P.L. 97-466 established the Cranberry Wilderness Area in the Monongahela N.F. and directs the Secretary to acquire all mineral interests and rights within the Wilderness Area, as well as certain mineral interests and rights outside the Wilderness Area. For this purpose, the Secretary is authorized to extend monetary credits to the owner (CSX Corporation) based on the fair market value of these interests and rights. The monetary credits could be transferred or sold and used to pay the Federal Covermment's share of mineral leasing bonuses, rentals, and royalties; or to acquire other Federal property. The Secretary could also, at his sole option, simply purchase the interests and rights. The Act goes on to require "That no payments shall be effective except . . . in such amounts as are provided in advance in Appropriation Acts."

The Act requires that the Secretary, in consultation with the owner, determine fair market value of these interests and rights by January 13, 1984. This is still under review within BLM but the FY 1985 Budget currently requests $10 million for this purpose.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

- **Bureau:** Minerals Management Service

  Account: Minerals and Royalty Management

  Proposed: Cost of collecting onshore mineral receipts shall be deducted prior to the division and distribution of such receipts.

  Language: "Provided, That not withstanding any other provisions of law, the amount expended in the collection of Federal onshore mineral leasing receipts shall be deducted prior to the division and distribution of such receipts between the States and the Treasury, and shall be credited to miscellaneous receipts of the Treasury."

  Explanation: States receive at least 50 percent of the revenues from mineral leases on public lands, but all the costs of collection are borne by the Federal Government. This provision will result in the States sharing the costs of collection with the Federal Government.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

- **Bureau:** Office of Surface Mining Reclamation and Enforcement

  Account: Regulation and Technology

  Proposed: Increase the uniform allowance for each uniformed employee to $400.

  Language: . . . .; and uniform allowances of not to exceed $400 for each uniformed employee of the Office of Surface Mining Reclamation and Enforcement.

  Explanation: The present uniform allowance of $125 per employee does not cover the cost and maintenance expense being incurred by the employee. This increase will give OSM employees the same allowance presently authorized for employees of the National Park Service.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

- **Bureau:** Bureau of Reclamation

  Account: Construction Program

  Proposed: FY 1984 Supplemental: Initiate construction of the Headgate Rock Hydroelectric Project, the Buffalo Bill Dam Modification, Pick-Sloan Missouri Basic Program, and the Santa Margarita Project.

  Language: (Appropriation language now requested, additional authorizing legislation required.)

  Within available funds, such sums as may be necessary shall be available to initiate construction of the Headgate Rock Hydroelectric Project, the Buffalo Bill Dam Modification, Pick-Sloan Missouri Basin Program, and the Santa Margarita Project: Provided, That the sums required to construct the Headgate Rock Hydroelectric Project shall be available pursuant to the Snyder Act (25 U.S.C. 13), to be expended by the Bureau of Reclamation.

  Explanation: This proposed language would permit available funds to be used to initiate construction of the Buffalo Bill Dam Modification, Pick-Sloan Missouri Basin Program, Wyoming, the Headgate Rock Hydroelectric Project, Arizona, and the Santa Margarita Project, California.

  Proposed: To provide for financing from revenues to the Colorado River Dam Fund to pay for replacements at the Hoover Powerplant.

  Language: . . . and of which such sums as may be required for replacements associated with uprating Hoover Powerplant shall be derived from the Colorado River Dam Fund.

  Explanation: This language is required to provide for the share of the cost of the Hoover Powerplant uprating program that is classified as replacements and, under the terms of the Boulder Canyon Adjustment Act, must be financed from revenues to the Colorado River Dam Fund.

  Proposed: To clarify the authority for construction of the Headgate Rock Hydroelectric Project.

  Language: Provided further, That of the total appropriated sums necessary for the purpose of designing and constructing the Headgate Rock Hydroelectric Project, Arizona, are appropriated pursuant to the Snyder Act, 25 U.S.C. 13, to be expended by the Bureau of Reclamation.

Explanation: Headgate Rock Dam was authorized by the Rivers and Harbors Act of 1935 and built by the Bureau of Indian Affairs. In accordance with a recent opinion by the Department of the Interior Solicitor, construction of the powerplant by the Bureau of Reclamation is authorized by the Snyder Act of 1921. The Snyder Act authorizes appropriations for construction associated with expanding or improving an existing Indian irrigation project. The addition of language in the fiscal year 1985 budget request will make it clear that this is the authority being used by the Bureau of Reclamation for installation of hydroelectric power facilities on this project.

Proposed: To alleviate Canadian concerns about the pollution of Canadian waters by construction of the Garrison Diversion Unit.

Language: Provided further, That the design, construction and operation of the Garrison Diversion Unit are to be accomplished so as to meet the United States' obligations under the Boundary Waters Treaty of 1909 and that no construction potentially affecting waters flowing into Canada will be undertaken.

Explanation: Language has been inserted to address Canadian concerns about the polluting of Canadian waters resulting from construction of the Garrison Diversion Unit. The fiscal year 1984 Conference report included a directive which stated that "No appropriation, fund, or authority under this heading shall be used for construction of features of the Garrison Diversion Unit in North Dakota affecting waters flowing into Canada through chemical pollution, introduction of foreign biota, destructively increasing or decreasing quantity and/or rate of flow, or in any other harmful way." Because of this directive and to reaffirm the Bureau's intent to comply with this directive we are inserting language in the Construction Program appropriation language.

Account: Working Capital Fund

Proposed: To establish a working capital fund in the Bureau of Reclamation.

Explanation: The fund will provide for more efficient financing and financial management of expenses necessary for furnishing supplies, equipment, and services in support of Bureau programs and for work performed for others in accordance with the Economy Act and other laws. Legislation authorizing the establishment of this fund was transmitted to Congress on February 2, 1984.

Account: General Investigations

Proposed: To provide new language which would not specify the amounts for program activities to be financed by the reclamation fund or the general fund.

Language: Provided, That of the total appropriated, the amount $35,651,000, for program activities which can be financed by the Reclamation Fund may be derived from the fund.

Explanation: Prior year language specified the amount of the budget request to be derived from the reclamation fund. The fiscal year 1985 budget estimates include a program which provides for weather modification activities outside the 17 western States and must be financed from the general fund. Eliminating specific amounts to be derived from the Reclamation fund and inserting new language which allows use of the two fund sources will provide more flexibility to meet program requirements.

Proposed: To provide for reimbursement of advance planning activities if a project is authorized for construction.

Language: Provided further, That all costs of an advance planning study of a proposed project shall be considered to be construction costs and to be reimbursable in accordance with the allocation of construction costs if the project is authorized for construction.

Explanation: The language is needed to assure that advance planning study costs, previously funded from the construction appropriation, but now funded from the general investigations appropriation, continue to be reimbursable if allocated to reimbursable purposes. Historically, all general investigations expenditures have been considered nonreimbursable. Previously, advance planning was initiated after a project was authorized for construction and expenditures were considered reimbursable if allocated to reimbursable purposes.

With the implementation of the new two-stage planning process, advance planning and most preconstruction studies will be conducted using General Investigations rather than Construction Program appropriations. If a project is authorized for construction these General Investigations expenditures would then be considered to be a construction cost and be reimbursable to the extent provided by Reclamation law. A legislative proposal is currently under review within the Administration.

Account: Operation and Maintenance

Proposed: To eliminate conflicting provisions included in prior year appropriation language.

Language: Provided further, That of the total appropriated such amounts as may be required for the Boulder Canyon Project shall be derived from the Colorado River Dam Fund and such amounts as may be required for replacements which would require readvances to the Colorado River Dam Fund under Section 5 of the Boulder Canyon Project Adjustment Act of July 19, 1940 (43 U.S.C. 618d), are to be considered as though readvanced under said section.

Explanation: The FY 1984 appropriation language included conflicting provisions which can be clarified by deletion of the two separate provisions pertaining to the Boulder Canyon Project ". . . and such amounts as may be required for the Boulder Canyon Project shall be derived from the Colorado River Dam Fund: . . ." and ". . . Provided further, That such amounts as may be required for replacements on the Boulder Canyon Project which would require readvances to the Colorado River Dam Fund under section 5 of the Boulder Canyon Project Adjustment Act of July 19, 1940 (43 U.S.C. 618d), are to be considered as though readvanced under said section. . . ." and insertion of a combined proviso for the Boulder Canyon Project.

The first proviso regarding the Boulder Canyon Project is inconsistent with the second proviso regarding the same project. The amounts mentioned in the second proviso which would be considered as readvances would have to come from the General Fund but the first proviso indicates that all money appropriated for the Boulder Canyon Project would come from the Colorado River Dam Fund. Eliminating the conflicting provisos and inserting the combined proviso would clarify this matter.

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DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

o **Bureau:** Geological Survey

Account: Barrow Area Gas Operation, Exploration and Development

Proposed: An FY 1984 Supplemental is being proposed to finance ($30 million), turn over operation of the Barrow Gas Fields to a unit of local government, and to authorize exchange of lands between the Arctic Slope Regional Corp and the Secretary of the Interior.

Language: "For payment to the North Slope Borough of Alaska in accordance with the terms and conditions of the Agreement, including appendices between the Secretary and North Slope Borough dated September 22, 1983, on file with the Senate and House Committees on Appropriations, which is hereby incorporated into this Act. $13,000,000, together with $17,000,000 to be derived by transfer from "Exploration of National Petroleum Reserve in Alaska"; Provided, That the limitation on appropriations contained in section 102(b) of Appendix 2 does not apply: Provided further, that in consideration for the relinquishment of rights which the Arctic Slope Regional Corporation (ASRC) has under section 1431(o) of the Alaska National Interest Lands Conservation Act, the Secretary of the Interior and the ASRC are authorized to exchange lands and interests as set forth in the separate Agreement between the Secretary and the ASRC on file with the Senate and House Committees on Appropriations, which is hereby incorporated into this Act. Section 104(e) of the Naval Petroleum Reserves Production Act of 1976 (42 U.S.C. 6504) is repealed effective October 1, 1984.

Explanation: In order to transfer the gas fields to a unit of local government in Alaska by the end of FY 1984, the Department has proposed "stand alone" appropriation language to accomplish the financing and the necessary authorizing provisions. Legislation was previously submitted and is currently pending in Congress.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

- Bureau: U.S. Fish and Wildlife Service

  Account: Land Acquisition and State Assistance

  Proposed: Establish a wetland conservation program.

  Language: "For the acquisition of lands, waters, or interests in lands or waters, including administrative expenses, $57,500,000, to be derived from the Land and Water Conservation Fund, to remain available until expended: Provided, That $30,000,000 shall be for expenses necessary to carry out the provisions of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460ℓ-4 to 11), in accordance with statutory authority applicable to the United States Fish and Wildlife Service: Provided further, That notwithstanding the provision of 16 U.S.C. 460ℓ-9(a)(1), with respect to migratory waterfowl areas, $20,000,000 shall be available for Federal acquisition of lands, waters or interests therein for the conservation of wetlands, and $7,500,000 shall be available for grants to States for wetland conservation, of which not to exceed 4 per centum shall be available to the United States Fish and Wildlife Service to administer such program.

  Explanation: Allow monies from the Land and Water Conservation Fund to be used for Federal and State purchase of wetlands.

  Account: Development and Operation of Recreation Facilities

  Proposed: Make available recreation user fees.

  Explanation: Proposed legislation for the National Park Service would also impact the Fish and Wildlife Service (FWS) recreation user fees charged and collected by the FWS, and which are now deposited into the Land and Water Conservation Fund, would become available to operate and improve the recreational programs of the Fish and Wildlife Service. Beginning in FY 1985 and each year thereafter, receipts collected from recreation user fees would be placed in a special Treasury account to be available to the Service until expended by the Secretary beginning in FY 1986.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

o **Bureau:** National Park Service

Account: Operation of the National Park System

Proposed: Make available entrance and special recreation use fees.

Language: Provided further, That section 402 of the National Parks and Recreation Act, 1978 Amendments, Public Law 96-87 (93 Stat. 664, 666), which contains a prohibition on user fees for transportation services and facilities in Denali National Park, Alaska, is repealed: Provided further, That notwithstanding any other provision of law, the National Park Service shall hereafter establish or continue reasonable entry and special recreation user fees for all units of the National Park System administered by the Department of the Interior, where practical, and that such fees may from time to time be revised: Provided further, That the provisions of Public Law 96-514 which provide that revenues from Federal agency recreation fee collections shall be paid into the Land and Water Conservation Fund, are repealed.

Explanation: Repeal the prohibition on charging user fees for transportation services and facilities in Denali National Park, Alaska; and allow NPS to establish or continue reasonable entry and special recreation use fees for all units of the National Park System; allow that such fees may from time to time be revised; and repeal the requirement that recreation fees collected be deposited into the Land and Water Conservation Fund. General fee legislation was submitted in March 1983 and is currently pending.

Accounts: Operation of the National Park System (ONPS) and Construction

Proposed: Fund PRIP related activities from the Land and Water Conservation Fund

Language: ONPS -- "including $73,000,000 to restore and improve National Park Service facilities, to be derived from the Land and Water Conservation Fund"

Language: Construction -- "$78,275,000, to be derived from the Land and Water Conservation Fund"

Explanation: Proposed language would fund all park restoration and improvement projects from the Land and Water Conservation Fund rather than from the General Fund of the Treasury as has been the case.

Account: Land Acquisition and State Assistance

Proposed: Rescind contract authority (in FY 1984 and permanently in FY 1985).

Language: . . . Provided further, That section 9 of the Land and Water Conservation Fund Act of 1965, as amended (16 U.S.C. 460ℓ-10a) is repealed.

Explanation: Legislation is proposed to amend the Land and Water Conservation Fund Act to remove contract authority for land acquisition. Significant increases in the authorized level of the Fund and the use of reprogramming procedures have eliminated the need for this authority.

Account: Planning, Development, and Operation of Recreation Facilities

Proposed: Make available recreation user fees.

Explanation: Proposed legislation would make recreation user fees, now deposited into the Land and Water Conservation Fund, available to operate and improve the recreational and other programs of the National Park Service.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

- Bureau: Bureau of Indian Affairs

  Account: Operation of Indian Programs

  Proposed: Add language to discontinue the provision of Indian Child Welfare Act grants to off-reservation programs not within traditional Bureau service areas.

  Language: Addition: " . . . Provided further, That notwithstanding the provisions of Section 202, Title II of the Indian Child Welfare Act of 1978 (25 U.S.C. 1932), none of the funds appropriated herein for Indian Child Welfare Act grants shall be expended on grants to off-reservation Indian organizations . . . "

  Explanation: The Bureau of Indian Affairs (BIA) has been providing grants under the Indian Child Welfare Act to off-reservation programs, in or near urban areas where other sources of assistance are available. By limiting the grants to reservation programs in traditinal service areas, BIA can strengthen these programs.

  Account: Administrative Provisions

  Proposed: Add two schools to the list of those for which no further funding may be spent by the Bureau of Indian Affairs.

  Language: Provided, That no part of any appropriations to the Bureau of Indian Affairs shall be available to continue academic and residential programs of the . . .; Mount Edgecumbe boarding school, Alaska; Intermountain boarding school, Utah; . . .

  Explanation The purpose of adding Mt. Edgecumbe and Intermountain boarding schools to the list contained each year in the appropriations language is to clarify in one place which schools the Congress has permanently closed.

Account: Road Construction

Proposed: Allow funds available to the Bureau of Indian Affairs from the Highway Trust Fund to be used to cover roads program management costs and construction supervision costs, not to exceed six percent of available contract authority.

Language: Provided, That funds available to the Bureau of Indian Affairs from the Federal Highway Trust Fund may be used to cover roads program management costs and construction supervision costs of the Bureau of Indian Affairs not to exceed six percent of available contract authority.

Explanation: For FY 1985, $100 million of contract authority is available for Indian roads from the Federal Highway Trust Fund. The BIA budget excludes $5.2 million for program management and contract supervision costs which were covered in FY 1984. The funds will instead come from the Highway Trust Fund. This language ensures that funds necessary to administer the BIA program are not subject to the 3.75 percent restriction in FHWA regulations.

Account: Indian Loan Guaranty and Insurance Fund

Proposed: Delete reference to a specific dollar limitation on guaranteed loans.

Language: "During Fiscal Year 1985, and within the resources and authority available, total commitments to guarantee loans may be made only to the extent that the total loan principal, any part of which is to be guaranteed, shall not exceed resources and authority available."

Explanation: In FY 1985 it is anticipated that no new loans will be guaranteed as all available funds will be needed to support outstanding guaranteed loans. Rather than show a zero dollar limitation, the language restricts use to the resources available, which are zero dollars.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

Bureau: Territorial and International Affairs

Account: Administration of Territories

Proposed: Deletion of "construction grants to Guam of $11,350,000; direct"

Language: "construction grants to Guam to be available only upon enactment of authorizing legislation;"

Explanation: The FY 1985 Budget Appendix erroneously included the above language, when in fact the language was to have been deleted. The FY 1985 budget justifications for this account contain the correct language.

DEPARTMENT OF THE INTERIOR

Legislative Proposals Included in the FY 1985 Budget

o Bureau: Department of the Interior

Account: General Provisions - Title I - Section 109

Proposed: Include a provision for deducting reasonable cost of debt collection from amounts collected.

Language: Sec. 109. Appropriations made to the Department of the Interior in this title shall be available to enter into contracts with any person or organization for collection of services to recover indebtedness owed the United States, and to pay for the reasonable cost of such collection services from amounts collected.

Explanation: In order to enter into contracts with debt collection companies advance approval must be provided in appropriations acts.

Account: General Provisions - Title III - Sec. 308

Proposed: Revise the prohibitions on mineral leasing in order to provide more consistent treatment for wilderness study areas.

Language: (Sec. 308) 306. Except for lands described by sections 105 and 106 of Public Law 96-560, section 103 of Public Law 96-550, section 5(d)(1) of Public Law 96-312, and except for land in the State of Alaska and lands in the national forest system or public lands released to management for any use the Secretary of Agriculture or the Secretary of the Interior deems appropriate through the land management planning process by any statement or other Act of Congress designating components of the National Wilderness Preservation System now in effect or hereinafter enacted . . .

Provided further, That funds provided in this Act may be used by the Secretary of the Interior to issue oil and gas leases for the subsurface of any Federal lands within any Forest Service RARE II areas recommended for wilderness designation or allocated to further planning in Executive Communication 1504, Ninety Sixth Congress (House Document numbered 96-119), or within any wilderness study areas designated by Congress or within any Bureau of Land Management wilderness study areas, that are immediately adjacent to producing oil and gas fields or areas that are prospectively valuable. Provided further, That funds provided in this Act may be used by the Secretary of the Interior to issue oil and gas leases for the

subsurface of any Federal lands within any component of the National Wilderness Preservation System which is closed by law to leasing where the oil or gas resources underlying such lands are being drained through oil or gas wells on adjacent lands: Provided further, That any oil and gas leases issued for such lands adjacent to producing oil and gas fields or to areas prospectively valuable or for such lands subject to drainage shall allow no surface occupancy and may be entered only by directional drilling from outside the wilderness or by other nonsurface disturbing methods.

Explanation: The Department proposes to revise the prohibitions on mineral leasing in order to provide more consistent treatment for the various categories of wilderness study areas and to reflect the closing of designated wilderness areas to mineral leasing as of December 31, 1983, under Section 4(d)(3) of the Wilderness Act (16 U.S.C. 1113(d)(3).

The first change would treat Bureau of Land Management lands the same as Forest Service lands, in that areas which are released from wilderness study status by legislative action would be released from Section 308 leasing prohibitions.

The final set of changes would treat administratively designated study areas immediately adjacent to producing oil and gas fields, or to prospectively valuable areas, the same as Congressionally designated study areas; that is, the subsurface could be leased in order to protect Federal oil and gas resources. In addition, a somewhat stricter standard would be applied to wilderness areas in that actual drainage of the oil or gas resources through wells on adjacent lands would have to occur before the Federal subsurface could be leased. This provision allows the Secretary to exercise his responsibility to protect the Nation's resources. The final sentence of the FY 1984 language has been rewritten as a proviso applying to both wilderness areas and wilderness study areas but retaining the current standard that prohibits surface occupancy and allows "slant drilling" from adjacent non-wilderness areas.

In addition to the above, the FY 1985 budget also reflects other legislative initiatives which are in varying stages of development. These proposals have been or will be considered by the appropriate committees in the Congress.

For example, the FY 1985 budget for the Bureau of Land Management includes $375,000 for the adoption and sale of wild horses and burros. The request assumes enactment of legislation similar to H.R. 1675 or S. 457 which are pending in the Congress. The bill would provide authority to the Bureau and the Forest Service to sell unadoptable excess animals. The current authorization for Bureau of Land Management programs which carry out the purposes and provisions of the Federal Land Policy and Management Act expires at the end of FY 1984. The Department plans to work with the Congress to resolve this situation during the FY 1985 Budget and appropriation development processes.

The FY 1985 request for the Fish and Wildlife Service includes $2.2 million which assumes reauthorization of the Marine Mammal Protection Act. The Department has submitted its recommendation to the Office of Management and Budget to reauthorize appropriations for the Marine Mammal Protection Act for a three-year period beginning in FY 1985. The budget also includes $27.5 million for State wetland grants and for Federal wetland acquisition. Appropriation language for the Fish and Wildlife Service included in the above list allows monies from the Land and Water Conservation Fund to be used for Federal and State purchases of wetlands. In addition, last March, the Administration transmitted a legislative proposal -- Protect Our Wetlands and Duck Resources Act (POWDR) -- which has served as the basis for other wetlands conservation proposals reflected in S. 1329 and H.R. 3082. These bills are now pending in the Congress.

The FY 1985 request for the National Park Service includes $4.6 million for the John F. Kennedy Center for the Performing Arts. Proposed legislation authorizing appropriations for the Center for FY 1985 is currently being reviewed by the Administration. Also under consideration is additional authorizing legislation for the Park Service which would be similar to provisions proposed in the FY 1985 appropriation language. The proposal to remove the prohibition on charging a user fee for transportation services and facilities at Denali National Park in Alaska is currently being reviewed by the Administration. The proposal to amend the Land and Water Conservation Fund Act to repeal the contract authority for land acquisition is under review within the Department.

The FY 1985 budget for the Bureau of Reclamation includes the establishment of a working capital fund. On February 2, 1984, the Department transmitted to the Congress its draft bill "To establish a working capital fund in the Bureau of Reclamation, Department of the Interior, and for other purposes." The bill would provide for more efficient financing and financial management of expenses necessary to furnish supplies, equipment, and services in support of Bureau programs and for work performed for others. The budget for the Bureau's construction program includes $1.5 million for the Santa Margarita Project in California. S. 805 which authorizes this project is pending in the Congress. S. 268, which is also pending in the Congress, also authorizes two other Bureau construction projects included in the FY 1985 budget. These are the Palisades Project, Palisades Powerplant Enlargement in Idaho ($200,000) and the Boulder Canyon Project, Improvements, in Nevada and Arizona ($2 million).

2. Question: Would you provide for the record a list of any fiscal year 1984 supplemental or deferral requests by appropriations account.

Answer: The information follows.

DEPARTMENT OF THE INTERIOR

FY 1984 SUPPLEMENTAL APPROPRIATION REQUESTS

Pay Supplementals

(Dollar amounts in thousands)

Bureau/Appropriation	Amount Requested
MINERALS MANAGEMENT SERVICE	
Minerals and Royalty Management	1,064
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT	
Regulation and Technology	470
BUREAU OF INDIAN AFFAIRS	
Operation of Indian Programs	5,871
TERRITORIAL AND INTERNATIONAL AFFAIRS	
Administration of Territories	54
OFFICE OF THE SECRETARY	200
OFFICE OF THE SOLICITOR	220
OFFICE OF THE INSPECTOR GENERAL	387
BUREAU OF RECLAMATION	
General Investigations	226
Subtotal, Pay Supplementals	8,492

Fire Suppression Supplementals

BUREAU OF LAND MANAGEMENT	
Management of Lands and Resources	38,160
U.S. FISH AND WILDLIFE SERVICE	
Resource Management	440
NATIONAL PARK SERVICE	
Operation of the National Park System	2,600
BUREAU OF INDIAN AFFAIRS	
Operation of Indian Programs	14,000
Subtotal, Fire Suppression Supplementals	55,200

Program Supplementals

(Dollar amounts in thousands)

Bureau/Appropriation	Amount Requested
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT	
Regulation and Technology	4,775
GEOLOGICAL SURVEY	
Barrow Area Gas Operation, Exploration, and Development	13,000
U.S. FISH AND WILDLIFE SERVICE	
Resource Management	591
BUREAU OF INDIAN AFFAIRS	
Operation of Indian Programs	7,400
Construction	9,600
TERRITORIAL AND INTERNATIONAL AFFAIRS	
Administration of Territories	1,984
BUREAU OF RECLAMATION	
Construction Program	--
Subtotal, Program Supplementals	37,350
Total, FY 1984 Supplementals	101,042

FY 1984 DEFERRAL REQUESTS

BUREAU OF MINES	
Mines and Minerals	1,667
NATIONAL PARK SERVICE	
Land Acquisition	2,700
Construction	14,000
Total, FY 1984 Deferrals	18,367

Office of Budget
February 16, 1984

3. Question: Would you provide for the record a list of any current or anticipated fiscal years 1984 and 1985 rescissions or deferrals pursuant to the Budget and Impoundment Control Act assumed by the proposed budget for fiscal year 1985; copies of the relevant budget justifications; and the status of such proposed actions?

Answer:

There is one deferral for 1984 that is assumed in the FY 1985 budget. That is a deferral of $300,000 in the Office of Water Policy. This money will be transferred to the Office of the Secretary and used to offset pay costs. This deferral is currently pending at the Office of Management and Budget.

Question: What are the assumptions behind the proposed FY 1985 lease sales which include four offshore of Alaska, two each in the Gulf of Mexico and the Atlantic, and one off of California?

Answer: The proposed FY 1985 lease sales are part of the July 1982 5-year OCS Oil and Gas Leasing Schedule which is based on the analysis performed according to Section 18 of the OCS Lands Act. That section requires that the timing and location of sales achieve, "to the maximum extent practicable,...a proper balance between the potential for environmental damage, the potential for discovery of oil and gas, and the potential for adverse effects on the coastal zone." Additionally, it requires a comparative consideration of nine specific factors for each region.

The analysis performed to meet these requirements led first to a quantitative comparative evaluation of the planning areas. That quantitative analysis was then examined in light of nonquantitative factors, including conclusions of the Environmental Impact Statement and views of Governors of affected States. Based on this examination, adjustments were made and guidelines for frequency of sales in each area were established as follows for sales included on the schedule for FY 1985:

Central and Western Gulf of Mexico: annual sales
Diapir Field, St. George Basin,
Mid- and South Atlantic, and
Central and Northern California; biennial sales
North Aleutian Basin, and
Gulf of Alaska/Cook Inlet: triennial sales.

It was these guidelines, based on the extensive analysis required by the OCS Lands Act, that led to the scheduling of sales in FY 1985. The U.S. Circuit Court of Appeals for the District of Columbia fully upheld the analysis and balancing leading to the schedule of sales for consideration. However, each sale must still be evaluated on a case-by-case basis. The Department is now engaged in instituting new procedures for this presale planning process to allow earlier resolution of State concerns, multiple-use and other potential conflicts.

5.a. Question: The Administration has recommended repeal of the OCS restrictions recently enacted as part of Appropriations Acts. What is the basis for this recommendation?

Answer: The Department has proposed the deletion of restrictions on OCS leasing contained in Sections 107, 108, 109 and 113 of the General Provisions of the FY 1984 Interior Appropriations Act. As a factual matter, no sales in the areas covered by these provisions will be held in FY 1985 and repeating the provisions would be meaningless. Beyond that point, however, Section 18 of the Outer Continental Shelf Lands Act Amendments of 1978 requires the Secretary of the Interior to prepare a 5-year oil and gas leasing program which provides for, among other things, an equitable sharing of developmental benefits and environmental risks among the various OCS regions. In preparing the program, the Secretary is required to base timing and allocation of oil and gas activities between regions on consideration of several environmental, multiple use, and socioeconimic factors, as well as factors relating to the potential for oil and gas resources. Additionally, he must consider suggestions from other Federal agencies and from the Governor of any State which may be affected by the program. The current 5-year program, which was approved by the Secretary of the Interior in July 1982, provides for a proper balancing of factors, including an equitable sharing between regions, and was found to be in full compliance with the OCS Lands Act by the U.S. Circuit Court of Appeals for the District of Columbia in July 1983.

For a specific proposed lease sale, a thorough analysis is required to meet the requirements of the OCS Lands Act, the National Environmental Policy Act, and other statutes. The Governor of any affected State may submit recommendations to the Secretary regarding the size, timing or location of the lease sale. The Secretary must accept the recommendations of the Governor if they provide for a reasonable balance between the national interest and the well-being of the citizens of the affected State.

Leasing restrictions in Appropriations Acts restrict carrying out the careful balancing between the various OCS regions resulting from the analysis performed according to Section 18. They also curtail the extensive planning process mandated by the Act to gather environmental and geologic information, consult with Governors of affected States, and make decisions which balance the interest of affected States and the Nation.

The Secretary recently announced changes to the OCS leasing process designed to ensure that all who have concerns will have improved opportunities to be heard. In addition, he made a commitment to resolve State, environmental and military conflicts earlier in the leasing process so that the Nation can proceed with a program of [illegible] exploration and reasonable development of OCS oil and gas resources as mandated by law. In particular, the Secretary wants to remove areas early in the leasing process which have a high potential for significant conflicts and a low interest by industry in leasing.

Considerations specific to the individual restrictions are summarized below:

Section 107 restricts the leasing of certain areas of the Central and Northern California OCS planning area. In the case of the Central and Northern California sale initially scheduled for September 1985, the Department will attempt to resolve the Congressional concerns embodied in Section 107 at the Area Identification stage which will probably occur in mid-1984. This sale is now behind its original schedule and could be held in December 1985 at the earliest. The Call for Information will explicitly recognize Congressional concerns and will solicit the specific information necessary to make an initial and early balancing of advantages and disadvantages to leasing in specific portions of the planning area.

Section 108 restricts both prelease activities for and leasing of certain areas in the North Atlantic. During FY 1984, prelease activities will begin for Sale 96, the last North Atlantic sale in the 5-year schedule. Initial planning activities for Sale 96 thus will not include areas restricted by Section 107. Since areas excluded from early planning cannot be considered for leasing later in the process, Sale 96 will not include any of the areas outlined in Section 108.

Section 109 restricts the leasing of certain areas in the Eastern Gulf of Mexico planning area. The next scheduled sale in this planning area is not until November 1985; therefore the restrictions in this section would not be applicable in FY 1985.

Section 113 restricts the leasing of certain areas in the Southern California planning area. The next scheduled sale in this planning area is not until January 1986; therefore the restrictions in this section would not be applicable in FY 1985.

5.b. Question: Do these restrictions affect either your FY 1984 or FY 1985 leasing program schedules?

Answer: The effects on the FY 1984 leasing schedule may be summarized as follows:

Sale 73 (Central and Northern California) was originally scheduled for September 1983 but delayed until November 1983 to allow additional time to consult with the State; its schedule was not directly impacted by the restrictions.

Sale 79 (Eastern Gulf of Mexico) was delayed to allow the amendment to Section 108 contained in the FY 1984 Supplemental Appropriations Act to be reflected in the Final Notice of Sale. As a result the sale was delayed from November 1983 to January 1984.

Sale 80 (Southern California) and Sale 82 (North Atlantic) were initially delayed to allow Congressionally-imposed restrictions to be reflected in the Environmental Impact Statements for those sales. No decision had been made concerning those sales when Secretary Clark took over as Secretary of the Interior. Because significant controversies concerning environmental values, multiple use considerations, and other factors surround those sales, Secretary Clark ordered that these sales be further delayed until he could fully evaluate all of the issues involved. Thus, the restrictions did have some effects on the timing of these sales but were not alone responsible for the delays.

Recreation Fees

6. Question: Once again the Department is proposing to revise recreational fees. Can this be accomplished without legislation? What is proposed regarding fees in the absence of legislation?

Answer: The Service has proposed changes in appropriation language for fiscal 1985 which will remove the current freeze on entrance fees and permit the Service to establish reasonable entrance fees for any unit of the National Park System where such a fee would be cost effective to collect and beneficial to the general public. On March 1, 1983, the Administration submitted a legislative proposal on National Park Service entrance fees. That proposal is still pending before the Congress. In the absence of such legislation, entrance fees will remain frozen at their current levels. The Service will continue, however, to adjust campground and other user fees to ensure comparability with rates charged in the private sector for similar facilities and services.

QUESTIONS SUBMITTED BY MAJORITY

Two-Stage Planning Process

7.a. Question: Reportedly, the Department is changing the planning process for Bureau of Reclamation projects to more closely parallel that of the Corps of Engineers. Is it correct that under the new procedure Congress would not have to authorize feasibility studies?

Answer: No, Congress will still have to authorize feasibility studies required by Section 8 of P.L. 89-72 if the Advance Planning Investigation is initiated prior to enactment of the construction authorization. However, if the Advance Planning Investigation starts after enactment of the construction authorization, the Advance Planning is considered to be authorized.

7.b. Question: When would Congress first be asked to authorize construction?

Answer: Under the Two-Stage Planning Process, programming and initiating study activities, such as advance planning, will be done concurrently with the Congressional actions to obtain authority and funding.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

Timber Receipts

8. Question: The FY 1985 budget request for the Forest Service contains a statement that legislation will be submitted which proposes to change the program for sharing receipts to states to a "tax equivalency" basis. Does the Department of the Interior propose any changes such as those proposed by the Forest Service? If so, would you please provide a copy of the proposed bill to the Committee.

Answer: The Department of Interior is not proposing any legislative changes that would require distribution of shared receipts to States on a "tax equivalency" basis.

9. Question: If the Forest Service is granted the proposed receipt change formula, what would be the effect of grants to the State of Oregon for timber receipts received from the Oregon and California Grant Lands?

Answer: If enacted, the legislation under discussion at Forest Service would not affect distribution of receipts from the Oregon and California Grant Lands. As currently proposed, it would affect only distribution of National Forest Fund receipts.

QUESTIONS SUBMITTED BY SENATOR LOWELL WEICKER, JR.

10. Question: Mr. Secretary, many times in the past several years I have expressed my fears that former Secretary Watt's 5-year OCS leasing plan did not strike a proper balance between achieving energy independence and protecting the marine environment. I am encouraged by the fact that you have decided to review the 5-year leasing process. Are there any preliminary indications of your views of the leasing process as a result of this review?

Answer: Yes, I believe the basic areawide concept is still valid, but changes in the prelease process are necessary to allow for more public participation, longer comment periods on key documents, and resolution of conflicts as early as practicable.

11. Question: Is it your impression that the bids on lease Sale 73, off the coast of California, assured fair market value return for the area being leased? Were the bids on this lease sale the impetus for your decision to review the 5-year leasing program? Is industry prepared for such an accelerated leasing program?

Answer: Bids were received on eight tracts offered in lease Sale 73. The Department of the Interior's "Procedures for OCS Bid Adequacy" were used to make fair market value determinations for the tracts receiving bids. High bids on three tracts were accepted in Phase 1 of the procedure. The remaining five tracts were passed to Phase 2 for further evaluation. Subsequent to Phase 2 evaluation, these high bids were also accepted. Based on the criteria applied, the bids received, and our own independent evaluations, we are confident that fair market value was obtained for the tracts leased.

Review of the offshore leasing schedule is an ongoing task which was not unduly influenced by the results of Sale 73. Industry has been prepared to meet our 5-year schedule in the past and we believe that they will be prepared to respond to our offshore leasing program in the future.

12. Question: Congress recognized the need to protect environmentally sensitive areas and enacted a leasing prohibition for approximately 17.5 million acres in the area of Georges Bank in DOI's FY 1984 Appropriations Bill. Since adequate scientific data is not currently available to assess the effects of an oil spill to the valuable marine resources of the Bank, it seems clear that development as presently scheduled is not in the best interest of the country. What are the plans for oil and gas leasing on Georges Bank?

Answer: We do not concur with the premise that "adequate scientific data is not currently available to assess the effects of an oil spill to the valuable marine resources" of the Georges Bank. The Department of the Interior has invested more than $42 million in defining the Georges Bank ecosystem. These studies address such critical topics as circulation, geological hazards, biological resources, social and economic characteristics, and the fates and effects of oil and other pollutants on the biota of the Bank. In addition, the Department has sponsored studies in other regions which have provided information applicable to the Georges Bank. Most of these studies have been directed toward the effects of oil or other pollutants on organisms and habitats. These studies provide a significant information base upon which to formulate an oil and gas leasing strategy for the Georges Bank.

Oil and gas lease Sale 82 in the Georges Bank area of the North Atlantic was scheduled to be held in February 1984. The sale was initially delayed to allow consideration of the leasing prohibition in the Environmental Impact Statement and other prelease documents. The sale is still under review and all issues, including congressional concerns, are being evaluated prior to any decision on the sale.

The next North Atlantic sale on the 5-year schedule, Sale 96, is scheduled for February 1986. According to the tentative milestones for that sale, the prelease process is not scheduled to begin until June 1984 with a Call for Information. Section 108 restricts both prelease activities for and leasing of certain areas in the North Atlantic. During FY 1984, prelease activities will begin for Sale 96, the last North Atlantic sale on the 5-year schedule. Initial planning activities for Sale 96 thus will not include areas restricted by Section 108. Since areas excluded from early planning cannot be considered for leasing later in the process, Sale 96 will not include any of the areas outlined in Section 108.

13. Question: Mr. Secretary, in your opening statement you stated that "we will make a concerted effort to increase State and public participation and to resolve State, environmental and military conflicts much earlier in the leasing process." In your opinion, how will the Supreme Court's ruling on the Federal consistency section of the CZMA affect State's involement in the leasing process?

Answer: I do not believe that the Supreme Court's decision will significantly reduce meaningful involvement by the States in the prelease process. There has never been any question about the need for postlease activities subject to the CZMA to be consistent with State CZM programs. I have directed the Minerals Management Service to develop procedures to ensure that potential future CMZ conflicts are identified and responded to as early as practicable in the leasing process. I have also directed that new procedures be implemented to increase opportunities for State and public involvement, and to increase efforts to positively respond to all concerns and conflicts raised by these parties.

14. Question: Is it your impression that your "scoping meetings" will substitute in the sense of the Federal consistency provisions of the CZMA? Will these meetings indeed adequately address the concerns of coastal States?

Answer: Scoping meetings will be conducted early in the prelease process for each proposed lease sale. These meetings will serve to collect information from potentially affected parties concerning issues and alternatives to be addressed in the Environmental Impact Statement. These meetings are not intended to substitute for consultation with the States concerning coastal management policies and potential conflicts with oil and gas activities which may result from leasing. Scoping meetings represent only one of the many measures we are instituting to increase public participation and an early identification of concerns so that we can resolve potential conflicts, where possible, early in the prelease process.

QUESTIONS SUBMITTED BY SENATOR FRANK H. MURKOWSKI

Cadastral Survey

15.a. Question: I greatly appreciate your commitment to maintain the accelerated levels of land conveyances pursuant to the Alaska Statehood Act and the Alaska Native Claims Settlement Act begun under this Administration. Interim conveyance or tentative approval is only part of the job -- the conveyed lands must be patented. To be patented, the lands must be surveyed.

a. The Department of Interior budget proposes cuts in the funds for cadastral surveys. What is the rationale for these cuts?

Answer: A reduction of $2,072,000 in the FY 1985 budget for Alaska cadastral survey was made to direct funds to higher priority work in the Bureau, such as the Energy and Minerals Management activity, while supporting the need for restraint in Federal spending.

Large exterior-type boundary surveys for Alaska State and Native transactions are nearly completed. Surveys needed for remaining ANCSA selections and a portion of the remaining State selections are located in areas of the State where terrain, climatic conditions and required logistical support cause a large increase in survey cost per acre.

In FY 1985 1.5 million acres will be surveyed for Native corporations (an increase of 260,000 acres over the FY 1984 level), while the acres surveyed for Native allotments will be approximately the same as in FY 1984. Surveys for State conveyances will decline in FY 1985 in order to concentrate on Native corporation and allotment surveys. In addition, the Bureau will survey 40 small tracts covering about 1,500 acres for homesites, homesteads, trade and manufacturing sites, and archaeological sites.

15.b. Question: I have a letter from the Office of Management and Budget confirming that cadastral surveys fall within the category of services that should be performed by the private sector where possible. The Bureau of Land Management in Alaska has completed a successful pilot program where it was shown that private companies do an excellent job of performing these cadastral surveys. Will you look into the possibility of using more private companies to assist in addressing the tremendous backlog of survey work which must be completed in Alaska?

Answer: The Bureau began to contract a portion of Alaska cadastral surveys in FY 1974. In FY 1977 surveys conducted under contract with private companies versus those conducted in-house reached 36 percent. In recent years, as the character of Alaska cadastral surveys has changed from the large, exterior-type boundary surveys which are more easily contracted to surveys involving small tracts and inholdings, the amount of contract survey work has decreased. In FY 1983, contract surveys amounted to about 15 percent of the total. All means are being used to maximize the use of contracts.

QUESTION SUBMITTED BY SENATOR FRANK H. MURKOWSKI

Proposed cuts in USGS Earthquake Hazards Reduction Program

16. Question: You are proposing cuts in the Geological Survey's Earthquake Hazards Reduction Program which will result in the closing of ten seismic stations and three geodetic networks in Alaska. I believe Congress will restore those cuts, particularly in light of the fact that Alaska is the most seismically-active State in the nation. What is the rationale for these proposed cuts?

Answer: The relatively small reduction in these two programs allows the Department to maintain an overall balanced earthquake and volcano research program that supports continued progress toward the objectives of mitigating these hazards while sharply focusing monitoring where these hazards are most prevelant and on research where the potential for pay off is the greatest. The reductions are recommended in these programs to meet higher priority departmental goals.

QUESTION SUBMITTED BY FRANK H. MURKOWSKI
Refuge Management in Alaska

17. Question: The National Park Service manages 68.5 million acres in the United States-48.3 million of which lay in Alaska. Despite the fact that Alaska has 70% of the nation's park service lands, you are proposing that the Park Service in Alaska receive a 2.3% share of the total Park Service budget. Similarly, Alaska contains more than 85% of the Nation's Fish and Wildlife Service acreage, yet the U.S. Fish and Wildlife Service in Alaska would receive 6% of the total budget request for the U.S. Fish and Wildlife Service.

a. Can these agencies adequately manage these lands within Alaska given this distribution of funding?

Answer: The Fish and Wildlife Service is addressing the highest priority needs in managing the 76 million acres of refuge lands in Alaska. These needs include:

Operation and maintenance of 16 wildlife refuges.

Comprehensive conservation planning for all refuges. Plans for first five refuges are to be completed by May 1985.

Special studies to provide baseline biological data and other information needed for intelligent management of fish and wildlife resources. Some of the most important studies mandated by the Alaska National Interest Lands Conservation Act (ANILCA) are:

The Arctic Coastal Plain Resource Assessment
The Bristol Bay Cooperative Regional Plan
The Barren Ground Caribou Study
Studies Related to Subsistence Uses by Rural Alaskans

In FY 1984, the Service is allocating 15% of the total operations and maintenance budget for the National Wildlife Refuge System to Alaska Refuges to address ANILCA mandates. Since the passage of the Act in December 1980, Alaska's budget has been supplemented by funds originally intended for refuges in the lower 48 States in recognition of the high priority of work to be accomplished.

Although total Service acreage in Alaska is most impressive, acreage alone is not the best indicator of management and funding needs. This is particularly true in Alaska where no habitat manipulation is needed at this time and where low human densities have not created the problems common to refuges in the lower 48 States.

In summary, we believe the Fish and Wildlife Service is addressing the highest priority needs on Alaska Refuges by:

(1) protecting fish and wildlife and its habitat
(2) providing for subsistence and other public uses
(3) collection of baseline biological data required for future management decisions.

The National Park Service budget proposal for the Alaska Region in fiscal 1985 totals $18,652,200. This amount includes $10,350,400 for park management and operations, and $8,301,800 for park support and professional services. A fiscal 1985 request of $1,630,200 in additional funding over the 1984 base amount represents a 9 percent increase. The level of funding for Alaskan parks is commensurate with current workloads and management responsibilities of the areas.

Visitation to Alaskan parks is a small fraction of the annual total of the National Park System (less than 3 percent) including that of the older and more widely known parks such as Denali National Park and Preserve and Glacier Bay National Park and Preserve. There is still only a small number of public and support facilities and other improvements at the newer Alaskan parks which require fewer staff and funds to maintain. All of the parks contain remote areas inaccessible by wheeled vehicles, and therefore, not subject to penetration by large numbers of park visitors. Patrol and transportation needs are fulfilled by aircraft which requires fewer employees and is highly cost efficient in maintaining close surveillance of outlying areas. Management and development planning for the newer Alaskan parks is still in the beginning stages and is progressing as scheduled under the terms of ANILCA. All of these factors combine to determine a level of funding for Alaskan parks that is sufficient to comply with current responsibilities and protection needs.

While the acreage of Alaskan parks accounts for fully two-thirds of the total National Park System land inventory, it is not the only factor taken into consideration in arriving at funding and staffing decisions for the parks.

18.a. Question: Section 551(c) of the National Historic Trails Act directs the Secretary of the Interior to manage designated Historic Trails. The Iditarod Trail in Alaska is one of the trails to designated.

Does the Department plan to propose a minimal amount of funding in Fiscal Year 1985 to mark the trail?

Answer: BLM is not proposing any funding for the Iditarod National Historic Trail in FY 1985. Since little of the trail crosses BLM land, it is not considered a high BLM priority; and we feel that funding should come from other sources responsible for a larger portion of the trail.

18.b. Question: Can you at least direct a member of your staff to negotiate an agreement with all interested parties which will facilitate the eventual management of the trail?

Answer: BLM is interested in participating in negotiations among the concerned parties to facilitate management of the trail, but feels that the State, which has responsibility for nearly half the trail mileage, should initiate these negotiations.

ADDITIONAL QUESTION SUBMITTED BY SENATOR CHAFEE

Funding for ANILCA

19. Question: Last year the Interior Department stopped identifying implementation funds for the Alaska National Interest Lands Conservation Act (ANILCA) in its budget. Before that time, a breakdown of funds for ANILCA was prepared with DOI's budget proposal. This breakdown enabled Congress to examine the allocation of ANILCA funds. Since 1981 Interior's budget for ANILCA has consistently overemphasized resource development projects and neglected the conservation provisions of the Act. So that this committee can see whether this emphasis on the development aspects of the Act is continuing could you please provide the committee with a breakdown of Interior's funding for ANILCA in the FY 85 budget estimate.

Answer: A table summarizing funding estimates for the Alaska National Interest Lands Conservation Act (ANILCA) follows. It should be noted, however, that since FY 1983, the Department has fully integrated the work requirements of ANILCA into its ongoing workload. Work authorized by ANILCA is not viewed as a special operational requirement and is not usually singled out as a specific line item in the budget. With respect to the relative emphasis on development and conservation activities of ANILCA, the programs of the National Park Service and the Fish and Wildlife Service focus on conservation activities, while the Bureau of Land Management's work is more oriented toward developmental activities.

Alaska National Interest Lands Conservation Act
Summary of Funding

(In thousands of dollars)

	FY 1983	FY 1984	FY 1985
Land Management			
National Park Service Operations	9,209	9,233	9,182
National Wildlife Refuge Operations	6,858	10,286	10,410
Bureau of Land Management Operations	250	300	400
Subtotal	16,317	19,819	19,992
Planning			
National Park Service Master Plans	653	813	813
Refuge Comprehensive Plans	1,627	1,679	1,625
Bureau of Land Management Planning	558	426	459
Geological Survey - Conservation Unit Mapping	500	200	50
Subtotal	3,338	3,118	2,947
Conveyance Activities			
Bureau of Land Management:			
Native Conveyance	2,300	2,100	2,000
State Conveyance	500	500	500
Withdrawal Review	48	60	60
Geological Survey - Conveyance Mapping	600	800	1,100
Bureau of Indian Affairs - Native Allotments	1,619	1,700	1,400
Subtotal	5,067	5,160	5,060
Studies			
National Park Service - Kantishna/Dunkle Mine	2,500	--	--
Fish and Wildlife Service:			
Arctic NWR Coastal Plain Resource Assessment	1,185	1,231	1,181
Non-North Slope Studies	79	131	172
Bristol Bay Study	539	223	137
Wild and Scenic Rivers	13	13	13
Barren Ground Caribou Study	327	327	327
Subsistence Uses	450	470	470
Other	65	50	--
Bureau of Land Management:			
Wild and Scenic Rivers	170	190	165
Arctic NWR Coastal Plain Resource Assessment	100	600	400
Geological Survey - Alaska Mineral Resource Assessment	9,252	9,367	9,547
Subtotal	14,680	12,602	12,412
Alaska Subsistence Grant	1,000	1,000	1,000
Bureau of Land Management - Non-North Slope Leasing	2,400	2,400	2,400

(In thousands of dollars)

	FY 1983	FY 1984	FY 1985
Alaska Land Use Council a/	150	150	150
National Park Service - Regional Office Programs	1,643	2,001	2,114
Fish and Wildlife Service - Regional Office Program Support, Equipment, Other Administrative Expenses	3,226	3,679	3,832
Fish and Wildlife Service - Construction	--	6,325	--
National Park Service - Construction	3,520	4,850	2,002
Fish and Wildlife Service:			
Pribilof Island Acquisition	5,500	--	--
Acquisition Management	110	410	120
Migratory Bird Conservation Account	200	--	--
Bureau of Indian Affairs - Section 506(d) Reimbursements	500	--	--
Solicitor --Legal Services	218	226	238
Total b/	57,839	61,740	52,259

a/ Represents Interior portion; additional Federal support totalling about $150,000 per year is provided by the Departments of Agriculture, Commerce, and Transportation.

b/ Excludes funding for Bureau of Indian Affairs under ANCSA as follows: FY 1983: $3.6 million; FY 1984: $2.9 million; FY 1985: $2.3 million.
Also excludes funding for Bureau of Land Management Cadastral Surveys (Alaska) as follows: FY 1983: $10 million; FY 1984: $12.1 million; FY 1985: $10.1 million.

QUESTIONS SUBMITTED BY SENATOR DANIEL EVANS

Soil and Water Inventories

20. Question: Please describe the nature of soil and water inventories and the concept behind their development. How do reductions in these inventories relate to reductions in the Soil, Water and Air Management budget and staff?

Answer: Soil inventories provide baseline data to meet the court-mandated grazing environmental impact statement (EIS) schedule. BLM will be reducing soil inventories by 2.4 million acres as the need for this data decreases as BLM nears the end of the grazing EIS schedule. The field offices' data collection requirements for EIS's are normally completed two years in advance of the writing of the document, and the EIS's are scheduled for completion in 1988.

Water inventories scheduled are primarily for the purpose of collecting data required to file claims for water rights with various State governments. In 1985, BLM will continue to conduct inventories required to ensure that claims are filed to protect public investments and respond to adjudication of claims scheduled by State governments. The anticipated workload will require 1 million fewer acres of inventory than in FY 1984. The reduction of soil and water inventories will reduce staffing needs by 22 FTE's. The majority of the savings will be related to contract work where an approximate 60 percent reduction in total contracting needs is attributable to these inventories.

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QUESTIONS SUBMITTED BY SENATOR DANIEL J. EVANS

Bureau of Reclamation Water Service Charges

21. Question: You have indicated that you will be seeking increased charges for "water services". Please explain what this will entail; for example, who will be affected, what constitutes a "water service", what is the magnitude of the proposed increases, etc. Have the projected revenues for increased charges been factored into your proposed budget?

Answer: The Bureau of Reclamation provides "water service" through its facilities to a multitude of individuals and organizations for a variety of purposes--usually in support of crop irrigation, municipal or domestic use, or industrial use. The service provided usually constitutes storage, regulation, conveyance, and/or pumping of water held under rights granted to the Bureau or to the water users. The Bureau has over 1,200 water service contracts in effect providing for water deliveries of a few thousand gallons up to contracts for over a million acre-feet of water service annually. The revenues under these contracts are used to cover annual operation, maintenance, and replacement costs incurred by the Bureau, and to amortize the Federal investment in water service facilities.

In recognition of this Administration's philosophy of requiring direct beneficiaries of Federal programs to pay the costs of those programs, the Bureau of Reclamation has instituted several policy changes that have the net effect of increasing rates for Bureau water service. For example, the Bureau now requires a periodic water service rate review and adjustment clause in all new contracts to ensure revenues will remain sufficient to repay project costs. Rates for certain industrial contractors have been increased substantially due to the use of innovative rate setting techniques. The Bureau is even now engaging in an unprecedented marketing effort in Colorado which calls for sealed bids to be submitted by industrial customers for future water service from a Bureau reservoir.

The magnitude of these changes in terms of the Bureau's total revenues is fairly small -- a few million dollars annually. Those revenues are normally deposited to the Reclamation Fund or some other special fund (e.g., the Upper Colorado River Basin Fund) for reappropriation by the Congress or direct use by the Bureau. Revenues to be applied against operation and maintenance expenses are identified in the Bureau's annual budget justifications.

QUESTION SUBMITTED BY SENATOR DANIEL J. EVANS

Yakima River Fish Passage and Protective Facilities

22. Question: I note that you are proposing to spend $475,000 for an Advanced Planning Study for the Yakima River Basin Water Enhancement Project Fish Passage and Protective Facilities. What do you expect to accomplish with these funds?

Answer: These funds will be used for designs, specifications, and detailed cost estimates on the highest priority work items.

Question: Is there any reason why these funds are not being used for the planning and design of such facilities?

Answer: These funds will be used for final planning and preparation of designs and specifications.

Question: Does the Department of Interior have the authority to design these facilities or does this authority rest with Bonnaville Power Administration?

Answer: Reclamation could accomplish designs with appropriated funds or by fund transfers from another agency. However, Reclamation does not have specific authority to construct and operate fish passage and protective facilities other than at facilities which were authorized as a part of the Kennewick Division of the Yakima Project.

Question: Are you coordinating the study with BPA?

Answer: BPA and Reclamation have entered into an interagency agreement pursuant to the Economy in Government Act (31 USC 1535). This agreement provides for fund transfers from BPA to Reclamation to conduct predesign work activities preparatory to initiation of final designs and specifications. These predesign work activities encompass 8 of the 20 sites; primarily the mainstem Yakima River sites.

Question: Which agency will be responsible for designing the fish passage and protective facilities?

Answer: It is anticipated that Reclamation as the operating entity of Federal Reclamation facilities in the Yakima River basin will have the primary responsibility for preparation of the designs and specifications and construction.

Question: If Reclamation can design them, how much funding will be required?

Answer: Approximately $3.7 million would be required for preparation of designs and specifications. This represents about 15 percent of the total cost estimate for the fish passage and protective facilities.

Question: If the Department lacks the authority to plan and design these facilities, will you provide draft legislation to authorize Interior to design and construct these facilities?

Answer: Legislation has been introduced in the Senate (S.1027) and hearings have been held before the Subcommittee on Water and Power of the Committee on Energy and Natural Resources. At these hearings, a substitute bill to S.1027 was proposed by Mr. Keith Colbo, Chairman of the Fish and Wildlife Committee of the Northwest Power Planning Council. This substitute bill, together with the bill introduced in the House, H.R. 653, needs to be considered in conjunction as meeting the early implementation needs in the Yakima River basin.

U.S. Geological Survey

23. Question: Please provide a detailed explanation of the increases and decreases in the USGS proposed budget for 1985.

Answer:

The programs of the Geological Survey (GS) are designed to provide basic scientific data and analyses concerning water, land, energy, and mineral resources. The FY 1985 appropriation request for GS, which includes Digital Cartography, totals $391,812,000, a decrease of $14,118,000 from FY 1984 available appropriations of $405,930,000. The 1985 GS budget request reflects an overall reduction below 1984 primarily resulting from decreases in a number of Survey programs including: mapping and mapping technology, Earth Resources Observation System (EROS), side looking airborne radar data acquisition, geologic hazards, land resource and energy geologic surveys, and Federal, cooperative, and energy hydrology programs. No funds are requested for the state water research institutes or the Federal coal hydrology program.

Within the overall reduction for GS, however, there is a proposed increase in digital cartography to provide for continued production of the data base for the 1990 census and initiatives resulting from funding redirections for geologic framework cooperative research and cooperative coal hydrology, both of which are programs matched by state and local funding. The budget also proposes to continue high priority work in the areas of toxic substances for ground and surface water contamination, acid rain, and for strategic and critical mineral investigations both onshore and in the newly designated offshore Exclusive Economic Zone (EEZ).

Detailed descriptions of the changes proposed for FY 1985 are in the GS Budget Justifications for FY 1985 submitted to the Appropriations Subcommittees.

General Administration

24. Question: Please explain the proposed 17 percent increase in funding for General Administration in the Minerals Management Service.

Answer: The elements of the proposed change of $3.758 million in General Administration over the FY 1984 budget authority of $20.568 million are shown below. It should be noted that none of this change is for additional administrative staff or contracting, but is comprised mainly of rate increases for support services or compensation amounts enacted through appropriations.

(dollar amounts in thousands)

FY 1984	FY 1985 Base	FY 1985 Estimate	1985 Base Increase From FY 1984	1985 Estimate Increase From FY 1985 Base	FY 1985 Estimate Increase From FY 1984
20,568	23,182	24,326	+2,614	+1,144	+3,758

As can be seen from the above table, increases in the base program for FY 1985 make up about 70 percent of the total proposed increase. These increases are detailed in the following table.

($ in thousands)

Increases/Decreases (+/-)	
Cost of One Additional Work Day	+38
Employees' Compensation Fund	+22
Unemployment Compensation	+280
Rental Payments to GSA (SLUC)	+1,815
Centralized Travel Office Savings	-21
FY 1984 Pay Cost	+480
Total	+2,614

The remaining approximately 30 percent of the total proposed increase ($1.144 million) is attributable to three factors. First, an increase of $0.31 million is required for a projected 25 percent increase over FY 1984 levels for postage, Federal Telecommunications System (FTS), and commercial communications. This increase is based on GSA provided estimates of cost as well as projected increases for all telecommuncations services. Second, $0.234 million is required for special building costs for overtime services for work periods beyond the normal 40 hours, 5-day work week, and guard services; no funds were specifically requested for that purpose in FY 1984.

This estimate is based on actual FY 1993 experience and utility rates. Third, an increase in space costs of $0.6 million is caused by: (1) The forced relocation of personnel in Metairie, Louisiana, into a higher-cost facility because the current space does not meet GSA's minimum standards; (2) the consolidation of personnel in Anchorage, Alaska, to improve program management and administrative support; (3) additional space for the new ADP hardware system which will provide increased workload capacity and process data quickly enough to meet the requirements of the Royalty Management Act; (4) additional office space needed to support both added program FTE and contractor personnel in the Royalty Management Program's automated financial accounting system office in Lakewood; and (5) the acquisition of storage space in lieu of that which is provided by the Geological Survey.

QUESTION SUBMITTED BY SENATOR DANIEL J. EVANS

Mineral Institute Grants - Bureau of Mines

25. Question: Please provide a list of the Mineral Institutes, their respective locations, affiliation, if any, and funding in FY84.

Answer: There are 31 Mineral Institutes, each of which receives an annual allotment grant of $150,000. Prior to fiscal year 1982, each Institute was also eligible to compete for research grants. In that year, 4 Generic Minerals Technology Centers were created:

Mine Systems Design and Ground Control - Virginia Polytechnic Institute, with Universities of Alabama, Alaska, Idaho, Kentucky and Nevada as affiliates;

Comminution - University of Utah, with University of Minnesota, University of California, Colorado School of Mines, Michigan Technological University and New Mexico Institute of Mining and Technology as affiliates;

Mineral Industry Waste Treatment and Recovery - University of Nevada, with University of Idaho, Iowa State University, Montana College of Mineral Science and Technology and New Mexico Institute of Mining and Technology as affiliates; and

Pyrometallurgy - University of Missouri, Rolla, with Purdue University as an affiliate.

A fifth Generic Mineral Technology Center, for respirable dust research, was created in fiscal year 1983 at Pennsylvania State University and West Virginia University, with the University of Minnesota and Massachusetts Institute of Technology as affiliates.

In fiscal year 1984, the Conference Committee directed that "$4,650,000 is to be distributed equally among the 31 minerals institutes throughout the nation, $1,500,000 is for respirable dust research to be conducted at the generic research center at West Virginia University and Pennsylvania State University, and $3,200,000 is to be distributed equally to the remaining four generic research centers for new and ongoing research efforts." Fiscal year 1984 funds are not included in this tabulation because the Bureau is currently in the middle of the process of allocating them to the Institutes. A list of the Institutes, and the funding provided from fiscal year 1978 through fiscal year 1983 follows:

Institute	Grants Awarded 1/
University of Alabama, Tuscaloosa	$1,731,582
University of Alaska, Fairbanks	1,242,343
University of Arizona, Tucson	1,402,098
University of California, Berkeley	1,662,608
Colorado School of Mines, Golden	1,532,596
Georgia Institute of Technology, Atlanta	927,906 (80)
University of Idaho, Moscow	1,491,078
Southern Illinois University, Carbondale	2,240,732
Purdue University, Lafayette, Indiana	1,809,216 (80)
Iowa State University, Ames	1,078,281 (80)
University of Kentucky, Lexington	1,996,646
Louisiana State University, Baton Rouge	816,710 (80)
Massachusetts Institute of Technology, Cambridge	1,586,327
Michigan Technological University, Houghton	1,320,093 (79)
University of Minnesota, Minneapolis	1,387,561
University of Mississippi, University	1,161,918
University of Missouri, Rolla	2,138,530
Montana College of Mineral Science and Technology, Butte	1,637,337
University of Nevada, Reno	1,726,041 (80)
New Mexico Institute of Mining and Technology, Socorro	1,741,714
University of North Dakota, Grand Forks	940,728 (80)
Ohio State University, Columbus	1,473,914
University of Oklahoma, Norman	1,066,405
Pennsylvania State University, University Park	2,776,755
South Dakota School of Mines and Technology, Rapid City	840,004 (80)
University of Texas, Austin	1,040,551
University of Utah, Salt Lake City	3,060,505
Virginia Polytechnic Institute and State University, Blacksburg	2,087,326 (80)
University of Washington, Seattle	797,185 (80)
West Virginia University, Morgantown	1,966,113
University of Wyoming, Laramie	946,406
Total Funding, Fiscal Years 1978-1983	$47,627,209

1/ (79) or (80) Indicates fiscal year first grant awarded. Others were fiscal year 78.

National Park Service

Park Restoration and Improvement Program

26. Question: Please explain the rationale for funding the Park Restoration and Improvement Program (PRIP) with funds from the Land and Water Conservation Fund and clarify what benefits you contemplate securing from this arrangement.

Answer: The proposal to use the Land and Water Conservation Fund (L&WCF) to fund a portion of PRIP has been a feature of the Administration's proposal for this initiative from the beginning. The rationale for this proposal was that expansion of the National Park System through fee acquisition should stop to allow time for the restoration of the facilities already on hand. Use of the fund was linked to this concept; slow acquisition and instead use the fund for this restoration effort. Though the Administration is proposing new land acquisition in the fiscal 1985 budget, the large unappropriated balances in the L&WCF remain and could reasonably be used to reverse the trend of the late 1970's of National Park System expansion outpacing the availability of the budgetary resources needed to maintain the infrastructure.

27. Question: Please provide a more detailed breakdown of the proposed use of funds by the National Park Service under PRIP; in particular, please provide proposals concerning the maintenance and upgrading of the Park System's backcountry.

Answer: The $257.3 million fiscal 1985 Park Restoration and Improvement Program will be used for the following purposes:

	($ million)
Operational Improvements:	
Health and Safety	28.0
Cyclic Maintenance/Repair and Rehabilitation	21.9
Cultural Resources Preservation	15.4
Natural Resources Preservation	7.7
Subtotal, Operational Improvements	73.0
Capital Improvements:	
Buildings Utilities and other Facilities (Excluding Roads)	78.3
Visitor Facilities Fund:	
Concession Operated Facility Rehabilitation	6.0
Federal Lands Highway Program:	
Road Repair	100.0
Total	257.3

The fiscal 1985 Park Restoration and Improvement Program will address over $1.4 million of health and safety concerns in the Park System's backcountry. In addition, an estimated $1.0 to $1.5 million in the cyclic maintenance program will be used to maintain and upgrade the backcountry through trail brushing and rehabilitation. In the past, PRIP has focused mainly on heavily-used frontcountry areas and the rehabilitation of deteriorated and unsafe visitor use facilities which present a clear safety hazard. This will continue to be the case in fiscal 1985, although PRIP will be responsible for the establishment of emergency backcountry rescue equipment and for the upgrading of some backcountry trails, especially those which present a potential bear problem.

Fees

28. & 29. Question: I note that you plan to continue to institute entry fees and special recreation fees for all units of the National Park System. Specifically, what fees or fee increases are you proposing, by unit, and how much revenue do you expect to generate? You are requesting that such recreational fees no longer be deposited in the Land and Water Conservation Fund, but rather go into a special Treasury account. What programs will be funded from this special account? How will this arrangement affect the revenues of the Land and Water Conservation Fund and, subsequently, the funding of the Park Restoration and Improvement Program?

Answer: Within the time available to prepare the fiscal 1985 budget the Service was unable to conduct a rigorous survey and analysis of the potential for increasing or establishing fees for all units of the National Part System. Instead, the assumed increases in fees follow to a large extent the recommendations contained in the August 4, 1982, General Accounting Office Report, "Increasing Entrance Fees--National Park Service." Initially, efforts would focus on increasing entrance fees at areas where such a fee is currently charged, currently less than 20 percent of all National Park Service units. Increases would range from 100 to 200 percent with $5 proposed as the maximum entrance fee. Entrance fees for most parks have not been increased since 1972. In addition the Service would propose an increase in the amount charged for the annual Golden Eagle Passport from $10 to $25, and continue to raise campground and special use fees to maintain comparability with rates charged in the private sector. As shown below, the Service estimates that an additional $16.9 million in revenues can be generated from these proposed actions.

Projected Increases in Recreation Fee Revenues for 1985

Action	Amount (000's)
Increase Golden Eagle to $25	$1,800
Continue comparability increases in campground and other user fees	2,200

Increase entrance fees focusing on those areas that currently charge	12,100
Project additional revenues due to increased visitation	800
Total Projected Increase	16,900

The Service is proposing that all recreation fee revenues be deposited in a special Treasury account from which appropriations would be requested in future fiscal years to cover the cost of fee collection activities and other operating requirements. This proposal will have little impact on the revenues of the Land and Water Conservation Fund (L&WCF). Projected NPS fee revenues for 1985 would account for only 4.4 percent of the total revenues of the Land and Water Conservation Fund. Funding for the Park Restoration and Improvement Program would also be unaffected. The Service estimates that at the start of fiscal 1985 a balance of nearly $3.2 billion would be available for appropriation from the L&WCF. Moreover, recent appropriations for land acquisition and State grant programs from the L&WCF have fallen far short of the annual revenues of $900 million. The Service believes that sufficient monies are available from the L&WCF to cover the $73.0 million requested for park restoration and improvement.

Olympic National Park

30. Question: I am quite concerned that the Olympic National Park is not included in the land acquisition program for the National Park Service. It is my understanding that additional lands need to be acquired before the Olympic National Park land acquisition program is complete and that funding would be provided in FY85 for this purpose. Please advise me of the status of the funding for land acquisition in the Olympic National Park and what measures must be taken to restore funding for this program.

Answer: From a funding standpoint, Olympic National Park is somewhat unique. The 1976 legislation effected a boundary change and also authorized the appropriation of a specific amount for land acquisition in connection with the boundary change. The amount was increased to $23,700,000 in 1980. All of that amount has been appropriated and there remained as of December 31, 1983, an unobligated balance of $5,987,747. While it is true that additional lands within the 1976 authorization remain to be acquired, the funding available for that purpose is more than adequate. Within the pre-1976 area there are also lands remaining to be acquired. Funding for these acquisitions is provided from the Inholdings Line Item. The fiscal 1985 budget request includes $10,000,000 for Inholdings and would be the funding source for acquisition in the pre-1976 portion of Olympic National Park.

Question Submitted by Senator Daniel J. Evans

31. Question: In the Interior appropriations bill, Congress provided an increase of over $1.8 million for operation and maintenance of BIA fish hatcheries on Indian reservations over funding levels for FY 1983. In the conference report on the Interior appropriations bill, Congress specified that additional funds be distributed to high priority programs named in both Senate and House Committee reports. Please describe the allocation formula used by the BIA to distribute the increased funds. Specifically, to what extent will the increases be directed to Western Washington Boldt Case Area tribes? Does the 1985 budget request reflect continuation of these increased funding levels?

Answer: The Conference Report on the FY 1984 appropriations for Interior for the Bureau of Indian Affairs identified $2,500,000 for fisheries operations and management "to meet high priority needs among the programs named in both the House and Senate reports." Of the total, $1,564,000 has been directed to the Boldt case tribes and the remainder to other fisheries programs and operations as follows:

Columbia River Intertribal Fish Commission	$ 90,000
Red Cliff	67,000
Great Lakes Indian Fish Commission	170,000
Yakima	64,000
Lander Fishery Assistance Station	100,000
Mescalero Hatchery Operations	33,000
Chehalis	56,000
Keeweenaw Bay	5,100
Red Lake	8,900
St. Croix	21,700
Lac Courte Oreilles	69,300
Minnesota Chippewa	42,100
Leech Lake	8,900
Pyramid Lake	200,000

The above distribution was based on pro rata shares, using either the amounts cited in the House and Senate reports or the amounts requested by tribes when specific amounts did not appear in the reports.

For the Boldt area tribes, the distribution was made after consultation between the affected tribes and the Bureau of Indian Affairs' Portland Area Office. That distribution is as follows:

Fish Hatchery Operations	1983 Base	Increase	1984 Base
Hoh	$ 0	$ 24.0	$ 24.0
Lummi	375	50.4	425.4
Makah	0	24.0	24.0
Muckleshoot	100	10.0	110.0
Nisqually	100	32.0	132.0
Nooksack	0	30.0	30.0
Point No Point	190	147.0	337.0
Puyallup	0	59.0	59.0
Quileute	0	45.0	45.0
Quinault	110	40.0	150.0
Skagit Systems	0	52.0	52.0
Squaxin Island	0	83.0	83.0
Stillaguamish	0	60.0	60.0
Suquamish	100	105.3	205.3
Tulalip	300	5.0	305.0
Total	$ 1,275.0	$ 766.7	$ 2,041.7
Fisheries Management (Boldt)			
Hoh	$ 176.7	$ 20.6	$ 197.3
Lummi	384.4	159.8	544.2
Makah	370.0	35.5	405.5
Muckleshoot	206.5	32.2	238.7
Nisqually	280.0	48.9	328.9
Nooksack	143.0	10.6	153.6
Point No Point	461.9	22.8	484.7
Puyallup	222.0	12.3	234.3
Quileute	353.4	21.8	375.2
Quinault	834.3	97.3	931.6
Skagit Systems	445.9	43.5	489.4
Squaxin Island	337.0	13.5	350.5
Stillaguamish	86.9	19.8	106.7
Suquamish	197.7	28.7	226.4
Tulalip	295.5	230.0	525.5
NWIFC	704.8	0	704.8
Total	$ 5,500.0	$ 797.3	$ 6,297.3

The FY 1985 budget request does continue the increased funding levels.

QUESTIONS SUBMITTED BY SENATOR JOHNSTON

Acid Rain Research - U.S. Geological Survey

32. Question 1: The President's FY 1985 budget request for acid rain research totoals $55.5 million. Although most of this will go to EPA ($34.3 million), approximately $5.5 million will go to the Interior Department of which the Geological Survey is the lead agency. What kind of acid rain research activities does Interior intend to undertake under this increased level of funding?

Answer: The U.S. Geological Survey is the lead agency for the Task Group for Deposition Monitoring; the National Park Service, Fish and Wildlife Service, and Bureau of Land Management are members of this task group.

The National Park Service is the lead agency for the Interagency Task Group for Effects on Materials. The Fish and Wildlife Service is principally involved in the Interagency Task Group on Aquatic Effects, but the Environmental Protection Agency is the lead agency.

The Geological Survey has requested acid rain funding for FY 1985 in the amount of $3.2 million. The Geological Survey research activities under this funding include: coordinating the long-term operation of the 150-station National Trends Network including the maintenance of 40 Geological Survey operated sites; long-term monitoring of the quality of waters at 14 areas sensitive to the effects of acid rain; continuing the research program on geochemical processes by which acid rain affects the quality of streams, lakes and ground waters; and developing techniques and providing laboratory services for analyzing materials collected on filters from air-concentration monitors in support of the dry deposition component of the National Trends Network.

Within the Department of Interior, the Fish and Wildlife Service will get an increase of $1,000,000 for research into the development of mitigative techniques for acidified surface waters. The research will assess biological and chemical characteristics of acidified waters prior to treatment; monitor water chemical characteristics during application of lime or other suitable buffering agents; monitor changes in biological and chemical characteristics of buffered waters to determine rate of changes from desired pH and biological carrying capacity; evaluate locally available buffering agents for effectiveness, for best timing of application and most practical way to apply buffering agents; and develop a manual of interim technological and managerial procedures and treatments that will assist sport fisheries resource managers in mitigating effects of existing acidification of surface waters upon native sport fisheries and other supporting food biota.

The base program that was funded in FY 1984 and will continue into FY 1985 for $525,000 is focused upon aquatic effects. This research effort is investigating remedial action to reverse fish reproductive failure caused by acidified water; evaluating stream benthos as bioindicators of stress from acidified precipitation in the Southeast; determining the effects of pH changes and related chemical characteristics of water on the accumulation of toxic

metals by fish; identifying biological indicators of impacts of acidified precipitation and inorganic contaminants on cold water and warm water fish; and predicting and evaluating the effects of acidified precipitation on water chemistry and endemic fish populations in the Northeast U.S.

The National Park Service has requested an increase of $507,000 to initiate dry deposition monitoring in national parks and to expand its program on field exposure of building materials.

33. Question 2: What portion of this money would you propose be used for research on control techniques? What portion for the nature and effectiveness of mitigation measures such as the lining of lakes?

Answer: None of the Department of the Interior funds will be used for research on control technologies.

The FY 1985 budget for the Fish and Wildlife Service (FWS) provides for $1,000,000 for research into the development of mitigation techniques to restore acidified waters to an acceptable pH level. In addition, $5,000,000 is requested by the (FWS) to establish a new lake lining demonstration program.

39. Question: What is the status of the Department's plans to hold two coal lease-sales this June?

Answer: Decisions regarding the entire future leasing schedule and the two coal lease sales previously scheduled for June are now on hold pending the Commission's final report followed by discussions with Congress, the States, and other interested parties.

40. Question: Questions have been raised as to whether the Department should have a more extensive exploratory drilling program prior to awarding a coal lease. Has the Department requested a budget increase for this purpose? If not, why?

Answer: The Department has not requested a budget increase. Past experience with extensive drilling programs has shown strong evidence that they provide neither effective nor efficient support to the decisionmaking process for the multiple use of natural resources. The Bureau proposes to examine in detail only those delineated tracts that are likely to survive the nomination process. A cooperative program with industry further narrows the interest to those tracts with maximum potential. Through the initial resource survey efforts of the U.S. Geological Survey and the subsequent drilling data obtained from the cooperative program, maximum efficiency will be attained by focusing drilling efforts on those tracts likely to survive all analysis and become final candidates for lease sale. Furthermore, there is sufficient funding within the resource assessment portions of the budget to permit selected supplementary drilling efforts whenever a tract with apparent potential for lease sale lacks sufficient data to support a leasing decision.

41. Question: Do you feel the Department makes adequate use of existing data in making coal leasing decisions? Please explain.

Answer: The process leading up to a final coal leasing decision involves a 3-5 year period of land use planning followed by coal activity planning. Planning, NEPA and coal leasing decision documents are produced through this effort, with continual review and scrutiny by all interested parties. Existing data is used extensively when available; however, deficiencies in existing data often require the expenditure of program funds for data collection. Greater access to proprietary data would make more data available and enhance the decisionmaking process. Tracts which survive to the final stage of leasing have adequate data. Many tracts do not survive to that stage because of data deficiencies. Future efforts will be devoted to improving data collection and analysis, particularly in the area of alternative uses of natural resources and the related social, cultural, and economic impacts.

42. Question: Has the Department reduced the level of funding in this fiscal year's budget request for pre-sale planning inventories?

Answer: The Bureau of Land Management's FY 1985 budget requests funding for an increase of 650,000 acres above the total acres to be inventoried in FY 1984. The FY 1985 total is 2,372,000 acres. BLM is anticipating that within the total level of funding requested for the coal program, if approved by Congress, additional funds will be re-allocated to the pre-sale planning work element.

34. Question 3: Much of the debate over acid rain has focused on the costs of implementing mitigation measures and control technology. Little attention has been given to the costs of not reducing the emissions of acid rain precursors. Does the Administration have an estimate of the annual cost of damage to loss of agricultural crops, forests, buildings, and health attributable to acid rain?

Answer: The program of the Interagency Task Force on Acid Precipitation calls for an assessment of the acid rain problem by the end of FY 1985. This assessment will include best estimates of resources at risk and of current damage.

[For preliminary estimates, the question should be addressed to the Department of Agriculture for crops and forests, to the National Park Service for buildings, and to the Environmental Protection Agency for health.]

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Coal Leasing

35. Question: The Department has requested approximately $30 million for the coal leasing program. This amounts to a 10 percent decrease from the FY 1984 level. Please detail which programs will receive reduced funding, and explain your rationale for this proposal.

Answer: BLM's request of $17,808,000 for FY 1985 represents a 4.4 percent reduction in funding from the FY 1984 level. This reduction is possible because of lower levels of leasing and pre-leasing activity. The most significant reductions are associated with work related to activity plans, site-specific EIS's, coal lease exchanges, land use planning studies, EIS's for PRLA's, and exploration licenses.

36. Question: Are the Department's plans for future coal lease-sales contingent upon the recommendations of the coal commission and OTA?

Answer: Both of these studies are intended by Congress to provide insight into means of improving the future implementation of the Department's coal leasing efforts. Accordingly, they will be evaluated carefully and in detail; and, following an initial evaluation of these reports, there will be extensive consultations with Members of Congress, State Governors, and other interested parties to arrive at a concensus. With the exception of any emergency leasing needs which may arise in the interim, coal leasing will only resume after the conclusion of this process.

37. Question: What do you feel will be the impact of these reports on the size and timing of future sales?

Answer: The Department will use 30 days from formal receipt of the Linowes Commission report to make an initial analysis of the report. Review of the draft suggests that the size of sales and their timing will be a matter of principal focus during this analysis and subsequent discussion with Congress and others. Speculation regarding the results of those deliberations would be premature other than to note that only after completing consultation and final evaluation will the Department develop a new coal leasing schedule. The OTA report has not been issued in final form. The Department will not comment on the report's findings until after it is issued.

38. Question: We understand the proposed draft commission recommendations already in circulation will remain substantially the same between now and when the report is issued. What impact will these have on the size and timing of sales?

Answer: Following receipt of the final report there will be a 30-day analysis of all the recommendations. Using the product of this analysis and review, the Department will initiate discussions with Congress and the States to determine a future course for the Department's coal leasing efforts. It is expected that there will be extensive discussion of many options concerning the size and timing of future sales.

43. Question: What can the Bureau of Land Management do to integrate into the planning process necessary data from sources such as other Federal agencies and industry?

Answer: There is an extensive effort to acquire data from other government agencies and industry, primarily by assuring their participation in the land use planning, NEPA and tract delineation processes. While the use and availability of data from other Federal agencies can be assured, data from industry must be acquired on a voluntary basis. No tract is ultimately offered for sale unless data is sufficient to support a decision to lease.

44. Question: Are you familiar with whether there are any pending Inspector General investigations into the Federal coal program? If yes, what are these investigations about?

Answer: On February 7, 1984, the Assistant Secretary for Lands and Minerals requested the Inspector General of DOI to conduct an analysis of the Duck Nest Creek Exchange. Particular attention will be focussed on the factors and instructions that led to the decision to divide this tract, including the legislation that resulted in the management decision.

45. Question: What is the status of the Inspector General's review of the Duck Nest Creek exchange involving the AMAX company?

Answer: The Inspector General is currently conducting this review in response to a request from the Assistant Secretary for Lands and Minerals.

Coal Revenues

46&47 Question: The DOI budget projects that coal rents and bonuses will increase from $33.1 million in 1984 to $62.6 million in 1985. They have also predicted that coal royalties will increase from $77.8 million to $146.2 million.

According to press accounts (The Energy Daily, February 6) MMS Spokesman, Ted Saunders, explained that these projections were developed by BLM. BLM, however, attributed them to MMS. What agency made these projections.

Answer: The estimates were developed through a joint effort by BLM coal program staff and MMS officials. BLM is responsible for projecting revenues from coal rents and bonuses. MMS is responsible for projecting all royalties, but this year MMS and BLM have coordinated in projecting these royalties, utilizing data from both agencies and a model developed in BLM. All revenues from mineral leasing, however, are displayed in the MMS section of the Interim Budget. These estimates were reviewed and refined by Department level and OMB examiners.

48. Question: Please explain the basis for these projections.

Answer: Until this year, estimates of rents and bonuses developed by BLM were based on current acreage leased, estimated acreage to be leased, and on estimated price per acre. MMS estimates of royalties were done on a national basis using the average current price and expected annual

increase in coal prices, the average royalty and any expected change, and an expected annual increase in Federal coal production.

The current methodology utilizes more information available on a lease-by-lease and regional basis, including the coal production forecasts developed in the leasing level analysis. BLM coal program staff has developed a methodology that utilizes the following data:

1. Lease-by-lease data on reserves; current production, coal prices, and royalty rates; lease readjustment schedules; and mine plans.

2. Regional coal production forecasts, breaking regional production into Federal and non-Federal, and then splitting the Federal production by lease status of unreadjusted pre-FCLAA, readjusted pre-FCLAA, and post-FCLAA leases (a split of surface vs underground is also done although most regions are all one or the other). Average regional royalty rates by lease category for each year are estimated (unreadjusted pre-FCLAA leases are in cents/ton, readjusted and new leases are % of value).

3. Estimates of Federal reserves to be leased annually, by region, in regional sales, leases by application, and preference right leases. These are derived from coal production forecasts, estimated current and future regional production capacity, and other information supporting the leasing level process.

4. Regional spot prices, long term contract prices, and estimated price trends.

5. Regional bonus factors as a percent of current regional prices, based on recent bonus bids, and modified for expected changes in the future.

6. Regional factors to estimate acreage leased from reserves leased.

7. Estimates of lease relinquishments.

The model uses the above data to estimate, by region, annual rents, bonus bid, bonus paid, royalties, reserves leased, acres leased, and net acreage and reserves under lease by lease category.

The subject estimates were developed as follows:

Bonuses: Coal bonus payments are spread out over a five-year period. The initial payment is not recorded as a receipt until the lease is issued. When these estimates were developed, it was assumed that six regional coal sales would be held in the last part of FY 1984 or in FY 1985. Since the leases from those sales would not be issued until FY 1985, no bonus revenues from those sales would be recorded in FY 1984. The estimated bonuses received for FY 1984 are generated by payout from prior year sales and are at essentially the same level as in FY 1983. The increase in bonuses received in FY 1985 would have resulted from initial payments from the six new sales mentioned above. The schedule for future coal sales is currently under review.

Rentals: Rentals were expected to increase somewhat, based primarily upon an increase in the number of acres under lease.

Royalties: A significant increase in royalty revenue was projected between FY 1984 and 1985. The estimated increase is largely due to these factors:

1. Pre-1976 coal leases are being converted from the old cents-per-ton royalties to percentage royalties as their existing 20-year terms expire. These conversions will result in substantial increases in royalties per ton of coal produced.

2. Coal production and prices have been projected to increase from FY 1984 to FY 1985, by 10 and 5 percent respectively.

3. FY 1984 receipt estimates were reduced late in the budget process as a result of lower-than-expected FY 1983 receipts.

49. Question: Mr. Secretary, what, if any, legislative initiatives will the Department be transmitting to the Committee in the second session of the 98th Congress?

Answer: In addition to several legislative proposals outlined in the President's FY 1985 budget request and discussed in more detail in the answer to the previous question on this matter submitted by the Majority, I recently transmitted to the Congress a proposal to repeal the so-called "hammer clause" contained in section 203(b) of the Reclamation Reform Act of 1982. In addition, I and other officials of the Department will be considering the need for legislative initiatives as the question may arise in the course of our day-to-day review and management of the Department's programs.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Grace Commission Recommendations

50. **Question:** The Grace Commission's Interior Department task force has made 28 recommendations estimated to save some $300 million over three years and to generate over $1 billion in revenues over the same period. Which, if any, of these recommendations do you plan to implement or ask Congress to give you the authority to implement? How much does the Department of the Interior anticipate saving in FY 1985 as a result?

Answer: The Department is considering the implementation of recommendations made by the Grace Commission. The ultimate savings from the recommendations, as well as the feasibility of their implementation, are being evaluated at the present time. We should be in a position to respond more specifically to the individual recommendations by April 1, 1984.

Quadrennial Authorization

51. Question: Will the Department of the Interior submit a quadrennial authorization for the Bureau of Land Management prior to May 15, 1984, as required by Section 318(b) of FLPMA?

Answer: The current authorization for Bureau of Land Management programs which carry out the purposes and provisions of the Federal Land Policy and Management Act expires at the end of FY 1984. The Department plans to work with the Congress to resolve this situation during the FY 1985 budget and appropriation development processes.

Interior Receipts (OCS & Offsetting)

52. Question: Please provide a table showing the Administration's estimate of DOI receipts (OCS and offsetting) and receipts actually received for FY 1982-84.

Answer: A table showing estimated and actual receipts for those years follows:

$ (millions)

Fiscal Years

	1982		1983		1984
	Est.	Actual	Est.	Actual	Est.
Outer Continental Shelf	7,861	6,250	11,793	10,492	8,700
Offsetting	2,412	2,200	1,481	1,680	2,013

Grazing Fees

53. Question: Are grazing fees expected to decrease again in FY 1984? Are you satisfied that the public is receiving a fair return from this program?

Answer: The grazing fee for the 1984 grazing year (March 1, 1984 - February 28, 1985) will be $1.37 per animal unit month (AUM), a decrease of $.03 per AUM from 1983. The Public Rangelands Improvement Act (PRIA) of 1978 established the current grazing fee formula which, by enactment, established the Congressional definition of a fair return for grazing use of public lands. The 1984 fee was derived using the formula. PRIA established this formula on a 7-year trial basis for the grazing fee years 1979-1985. The Secretaries of the Interior and Agriculture have an ongoing study that includes projects to determine validity of private grazing land lease rates, comparison of various fee systems, and comparison of the values of public versus private grazing lands. The results of this study will be submitted to Congress in FY 1985.

Land Acquisition/LWCF

54. Question: Why is the Administration again proposing to fund park maintenance and rehabilitation projects from the Land and Water Conservation Fund? From a budgetary standpoint, what difference does it make where the funds come from?

Answer: A $3.2 billion unobligated balance will remain in the Land and Water Conservation Fund (L&WCF) through fiscal 1984. This balance continues to grow each year as appropriations from the fund are consistently less than accumulated income. The National Park Service believes it is entirely appropriate to make greater use of this fund rather than relying totally on appropriations made from general revenues.

Land Acquisition Plans

55. Question: Last year the National Park Service indicated that land acquisition plans would be completed in calendar year 1983 for 75 units of the System. How many of these have in fact been completed? How many are scheduled for completion in calendar year 1984? Are land protection plans still being prepared in part by personnel whose salaries are paid out of the Land and Water Conservation Fund? Do you believe that this is a proper use of Land and Water Conservation monies?

Answer: In calendar year 1983, Land Protection Plans for 73 units were completed. In calendar year 1984 a total of 72 Land Protection Plans are scheduled for completion. Land Protection Plans are developed by each park and regional office utilizing funds from the appropriation Operation of the National Park System. Land acquisition personnel provide technical assistance to the park and regional offices in the preparation of the plans. It has been found that the professional recommendations and advice from land acquisition personnel has been most beneficial in the preparation of the Land Protection Plans.

Obligation Rates

56. Question: The obligation rate for National Park Service land acquisition funds averaged almost 90% between FY 1975 and FY 1980. In FY 1981, this rate dipped to 80% and in FY 1982, only 51% of the funds were obligated. What was the obligation rate in FY 1983? What is the reason for this significant decline over the past three years?

Answer: In FY 1983 the obligation rate was 75%. The lower rate of obligation in FY 1982 was an outgrowth of using available land acquisition funds for the payment of deficiencies on condemnation cases on tracts filed in previous years. The replacement of land acquisition plans with Land Protection Plans emphasizing cost effective alternatives to fee purchases was also reflected in the obligation rate. During the time the plans are developed, land acquisition was essentially limited to hardship and emergency acquisitions and land needed for development.

Public Land Sales

57. Question: How much money is the Department requesting for public land sales? How much land is the Department planning to sell in FY 1984? How much revenue do you anticipate raising this fiscal year through land sales? What about future years?

Answer: As part of an overall land disposal strategy which includes exchanges, Recreation and Public Purposes Act transfers, boundary adjustments and State selection conveyances, the BLM is requesting about $2.2 million for preparation of public land sales in FY 1985. In FY 1984 approximately 62,000 acres will be prepared for sale. In FY 1984 we anticipate receipts of about $10 million from FLPMA land sales. We estimate receipts of $4 million to $4.5 million in FY 1985.

Grant Programs

58. Question: The Administration should be commended for requesting land acquisition monies to help reduce the backlog of authorized but unacquired park and forest lands. At the same time, however, no funds are being sought for the Land and Water Conservation Fund State grant program, the Historic Preservation Fund, or the Urban Parks Program. What is the rationale for once again ignoring these important matching grant programs?

Answer: The Administration is not requesting funding for State grants primarily because of the sizable unexpended balances that States have carried over from previous years. Going into fiscal 1985 we project the States will have an unexpended balance of approximately $280 million.

No additional funding will be requested for the Historic Preservation Fund or the Urban Park and Recreation Fund because the Administration believes that the goals of these programs will be better achieved through private sector and local initiatives than through direct Federal assistance efforts.

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Federal Surplus Property

59. Question: In FY 1983, $187,000 was credited to the Land and Water Conservation Fund through the sale of surplus property in accordance with the Land and Water Conservation Act. The Administration is estimating that these sales in FY 1984 and 1985 will exceed $460 million. Do you think this is a reasonable estimate of revenues? Please explain.

Answer: This estimate for fiscals 1984 and 1985 combined is reasonable according to information from the General Services Administration (GSA). The estimate includes $242,311,000 in fiscal 1984 and $220,157,000 in fiscal 1985. The $187,000 credited in fiscal 1983 excludes $54,083,000 which GSA delayed reporting as receipts into the Land and Water Conservation Fund because legislation was proposed that would have put surplus property sales receipts into General Treasury funds instead. This amount is now included in the fiscal 1984 estimate. Notwithstanding this adjustment, the estimates for fiscals 1984 and 1985 are still substantially higher than receipts in fiscal 1983 and earlier because GSA expects the Administration's policy concerning the sale of surplus property to result in higher sales.

State Reclamation Programs

60. Question: The Department has proposed a budget of $263 million for non-matching reclamation grants to the States. This represents an 11 percent increase from last year's level. If this total is appropriated through grants to the States, how much will remain to be allocated from the Abandoned Mine Reclamation Fund?

Answer: Approximately $359.4 million.

61. Question: Last year former Interior Secretary Watt made the point that Interior can only distribute grants to the States based on their capability and as they request the money. How many States are eligible to receive mine reclamation funds (in other words, how many States have their mine land reclamation plans approved)?

Answer: 23 States currently have approved reclamation programs.

62. Question: How much money have States requested for the purpose of mine reclamation in this fiscal year?

Answer: The total 1985 reclamation grant request from the States was approximately $309 million. Attached is a table that displays this request by State. The table also indicates the status of 1984 grant awards and shows cumulative grant totals through 1983.

Abandoned Mine Reclamation Fund: Grants Awarded to States
($000)

	CUMULATIVE THROUGH 1983	1984 AWARDS TO DATE	1985 REQUEST 1/
Alabama	12,726	39	8,908
Alaska	—	—	550
Arkansas	579	—	394
Colorado	8,044	—	4,000
Illinois	11,705	10,260	19,700
Indiana	25,154	7,002	10,686
Iowa	2,549	—	5,203
Kansas	1,430	229	666
Kentucky	44,812	—	42,700
Louisiana	—	—	330
Maryland	1,209	573	1,720
Michigan	—	—	2,308
Missouri	5,048	14,880	24,673
Montana	11,519	—	6,730
New Mexico	3,309	—	3,863
North Dokota	2,360	2,017	2,505
Ohio	14,378	—	12,876
Okalahoma	4,353	—	2,530
Pennsylvania	37,869	1,713	41,060
Tennessee	1,332	2,150	3,525
Texas	528	—	950

Abandoned Mine Reclamation Fund: Grants Awarded to States (Cont)
($000)

	CUMULATIVE THROUGH 1983	1984 AWARDS TO DATE	1985 REQUEST 1/
Utah	1,363	—	3,600
Virginia	12,461	—	12,089
West Virginia	34,968	21,250	43,539
Wyoming	12,026	24,804	50,973
Crow Tribe	—	6	1,311 3/
Hopi Tribe	—	7	1,711 3/
TOTAL	249,720	84,931	309,070
Unobligated (incl. carry-over and FY 1984 approp.)		162,850 2/	
Available for Award in 1984		(247,781)	

1/ The $263 million budget request for FY 1985 is approximately 15 percent below the States' initial needs estimates because experience has shown that access and acquisition problems will arise on some projects and that some projects included in initial plans will later be determined to be ineligible. It is not unusual practice to reduce the estimated total request of large Federal construction programs. For example, the Bureau of Reclamation has adjusted downward their aggregate estimate of project costs by 15 per cent in FY 1985, due to historical experience which shows the effects of factors such as weather and legal issues on construction progress.

2/ To be awarded to States after receipt and evaluation of forthcoming applications.

3/ Assumes enactment of legislation allowing Tribes to receive grants.

State Regulatory Program Problems

63. Question: The Department is currently reviewing Oklahoma's State reclamation program as a result of its negligence in citing surface mining violations and in collecting assessed fines. The Surface Mining Act under Section 504 provides that the Secretary shall prepare, promulgate, and implement a Federal program for a state if the state fails to adequately implement, enforce, or maintain its approved state program. How do you intend to implement this provision of law?

Answer: After analyzing the public hearing transcript and information presented during the public comment period on the status of the Oklahoma program, the Director will determine if the State has demonstrated its intent

and capability to adequately administer the program. If the Director should determine that Oklahoma has not demonstrated such intent, he can either substitute direct Federal enforcement for all or part of the State program or he can recommend to the Secretary that he withdraw State program approval in part or in whole. Other options available to the Director and the Secretary are combinations of increased Federal assistance to the State, direct Federal enforcement and withdrawal of part(s) of the State program approval. These analyses and options are currently being evaluated and are expected to be completed in March or April 1984.

64. Question: Are there any Department policy guidelines to respond to situations in which a State is not carrying out its program adequately. If so, what are they?

Answer: The procedures to respond to situations in which a State is believed not to be carrying out its program adequately are specified by the Federal regulations at 30 CFR 733.12. Pursuant to the regulations the Director shall, if he has reason to believe that a State is not effectively implementing, administering, maintaining and enforcing any part of its approved State program, notify the State Regulatory Authority in writing as to what parts are deficient and the reasons for such belief. Thereafter, the Director provides a reasonable time for the State to accomplish any remedial actions and an opportunity to discuss the status of the program. If after these actions the Director still has reason to believe that the State is failing to adequately administer its program, he provides public notice and holds a public hearing to discuss the problems and receive public testimony on the State's performance.

The State will continue to enforce its approved program unless the Director finds, after the public hearing and after analyzing the public hearing transcript and information presented during the public comment period, that the State has not demonstrated its intent and capability to adequately administer the program. At this point, the Director can either substitute direct Federal enforcement for all or part of the State program or can recommend that the Secretary withdraw State program approval in part or in whole. Other options available to the Director and the Secretary are combinations of increased Federal assistance to the State, direct Federal enforcement and withdrawal of part(s) of the State program approval.

65. Question: Is there any money in the budget to support Federal assistance for States such as Oklahoma who may have their State primacy revoked?

Answer: The 1985 budget includes a requested increase of $1 million to assist States that are experiencing regulatory problems. In addition, the budget contains a 1984 supplemental appropriations request of $1,535,000 to render such assistance.

QUESTION SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Mineral Institutes - Bureau of Mines

66. Question: The authorization ceiling for the research Mineral Institutes program established by Title III of the Surface Mining Act expires on September 30, 1984. The Department has requested zero funding for the program. Is the Department familiar with S.2186, a bill introduced to extend and modify the Institute program? If yes, would the Department support the contribution of Federal money to maintain the program? If not, how do you propose that the Mineral Institutes will continue active research once Federal funding is discontinued?

Answer: The Department is familiar with S.2186 and the companion legislation which has been introduced in the House of Representatives, H.R. 4214. However, the Department does not support the continued contribution of Federal money to maintain the Mineral Institute program. From the initiation of this program in fiscal year 1978 through the appropriation of funds for this purpose in fiscal year 1984, over $57 million has been provided to the Institutes . Funds already appropriated will provide for base grants to the 31 Mineral Institutes through the 1984-5 academic year, and for research grants to the 5 Generic Minerals Technology Centers to fund their programs through fiscal year 1986. Thus, the Institutes do not need additional Federal funding in order to continue their programs through fircal year 1985. In the 1982-3 academic year, the institutions of which the Mineral Institutes are part collectively received over $20 million from State legislatures and agencies, over $11 million from private sources, and over $3 million from other Federal agencies for research. As the Federal funds already available are expended, there will be ample time for the Institutes and Centers to obtain additional State and private sector funds to continue their efforts.

New Units In Alaska

67. Question: How much money has the Administration requested from FY 1982-1985 to operate and maintain the new units of the National Park System established in the Alaska National Interest Lands Conservation Act of 1980?

Answer: The funding profile of Alaskan parks established by ANICLA shown below denotes the operational budget of these parks as well as related Regional Office support.

ALASKAN PARK OPERATIONAL FUNDING PROFILE
1982 THROUGH 1985 REQUEST

ALASKA REGION PARK AREAS	FY 1982 $	FY 1983 $	FY 1984 $	FY 1985 $
Aniakchak National Monument and Preserve	95,300	65,800	66,400	66,400
Bering Land Bridge National Preserve	186,300	143,500	192,800	271,800
Cape Krusenstern National Monument	346,800	96,200	105,300	105,300
Gates of the Arctic National Park and Preserve	534,700	615,800	703,600	703,600
Kenai Fjords National Park	181,400	231,800	251,800	282,800
Kobuk Valley National Park	51,300	192,400	197,700	272,700
Lake Clark National Park and Preserve	507,900	575,100	533,800	633,800
Noatak National Preserve	91,400	192,400	199,200	199,200
Wrangell-St. Elias National Park and Preserve	570,800	604,500	744,000	744,000
Yukon-Charley Rivers National Preserve	177,100	194,400	210,600	210,600
Sub-total, Parks	2,743,000	2,911,900	3,205,200	3,490,200
Regional Office Support	1,459,900	1,613,000	2,001,000	2,114,000
Total	4,202,900	4,524,900	5,206,200	5,604,200

OCS Leasing

68. Question: What changes do you anticipate in your OCS leasing program as a result of the Supreme Court's decision in Secretary of the Interior v. California?

Answer: We plan to establish contact with the Governors of potentially affected States at the beginning of the lease sale process and to maintain communication to ensure major issues of concern to the States are appropriately considered throughout the process. The coastal zone management programs will be an important point of discussion. In addition, we are specifically requesting information pertaining to the States' coastal management policies in the Call for Information for each sale.

The potential conflicts between coastal zone management policies of affected States and oil and gas activities anticipated to result from a lease sale (alone and in conjunction with other activities offshore) will be analyzed in the Environmental Impact Statement (EIS) for that sale. The EIS receives wide review and we expect effective feedback from the States and industry regarding these conflicts.

The analysis of special issues developed during the final decision process for each lease sale will include an anlysis of whether future Outer Continental Shelf operations, which may result from the sale, can be conducted harmoniously with the coastal zone management programs of the affected States. We will look at leasing options (i.e., configuration of the offering, terms and conditions of the sale, etc.) to try to accommodate some of the concerns; however, the actual resolution of some of the potential conflicts with these programs can occur only when proposals are developed for exploration and development of the leases, when we know for certain the location and nature of these activities.

69. Question: You delivered some remarks on January 12, 1984, regarding the Outer Continental Shelf, in which you mentioned some "assumptions" under which you are operating and the "proposals" you are considering for the OCS leasing program. To what extent will the proposals be implemented by changes to the DOI regulations?

Answer: The Department has an ongoing project to consolidate and simplify its OCS regulations. My policy directives provide overall guidance for this review. It is expected, however, that the initiatives I announced on January 12, can be accomplished by changes in our operating procedures which will not require formal rulemaking. For instance, I emphasized a more selective Area Identification process to avoid dragging through the 22 month planning process those areas where the level of industry interest is minimal and where conflicts exist with other uses. Procedures to implement this, as well as other policies are now being formulated by the Minerals Management Service.

70 Question: As you know, there may be legislative attempts to overturn Justice O'Connor's decision in the recent Supreme Court case. Your efforts in the Department of the Interior to modify the OCS lease sale procedures may be seen as offsetting to some extent the impetus for such legislation. To what extent do you think that changes in DOI policy and regulations can calm the fears of the States and environmentalists who may seek to overturn or modify the Supreme Court decision.

Answer: The improved communication with the States and initiatives to specifically identify coastal zone management concerns about postsale activities are anticipated to provide us with valuable information regarding potential conflicts and mitigating measures for each leasing action. I am committed to using these processes to achieve early resolution of conflicts with all State concerns to the extent possible. I am hopeful that these efforts will respond to the concerns of the States and other interested parties.

71. Question: Has the Department considered the possibility of submitting legislation in this area? (That is, legislation to amend the Federal consistency provisions under Section 307(c)of the CZM Act).

Answer: I do not believe that legislation would be appropriate at this time. I understand that NOAA is about to publish in the Federal Register an advance notice of proposed rule making pertinent to section 307. I believe that Congress should await the outcome of, and initial experience gained under, this effort. The question of legislation should be left open until the Coastal Zone Management Act can be comprehensively reviewed when it comes up for reauthorization in 1985.

Oil and Gas Royalty Management

Question: The Department has again submitted appropriations act language that would deduct the cost of collecting onshore mineral receipts prior to the division and distribution of those receipts to the States and the Treasury. Last year, this Committee expressed its belief that the Department does not have the present authority to implement this proposal and strongly objected to any attempt to acquire such authority other than through the submission of proposed legislation to this Committee. Does the Department intend to submit such legislation? Please submit a table showing the reduction in royalty revenues of each State and Indian tribe if this proposal had become law last year.

Answer: The Department does not intend to submit further legislation at this time. Since the language proposed in the President's Budget would result in reduction of expenditures, it is essentially a retrenchment. As such, we understand that it comports with the rules of the House and Senate. The following table shows the reduction to the States if the proposed cost recovery would have become law in FY 1984.

(Dollar amounts in Thousands)

	FY 1983 Outlays	FY 1984 Gross Payments with no Cost Recovery	Cost Recovery	FY 1984 Estimated Net Payments
Alabama	$ 379	$ 536	$ 10	$ 526
Alaska	48,170	27,297	490	26,707
Arizona	4,295	6,076	109	5,967
Arkansas	579	819	15	804
California	35,829	50,688	913	49,775
Colorado	33,649	47,604	857	46,747
Florida	47	67	1	66
Idaho	4,346	6,148	111	6,037
Kansas	1,010	1,429	26	1,403
Louisiana	709	1,003	18	985
Michigan	70	99	2	97
Mississippi	7,419	10,496	189	10,307
Montana	18,489	26,157	471	25,686
Nebraska	259	367	7	360
Nevada	12,185	17,238	310	16,928
New Mexico	131,241	185,669	3,344	182,325
North Dakota	9,177	12,983	234	12,749
Oklahoma	2,025	2,865	52	2,813
Oregon	5,105	7,222	130	7,092
South Dakota	1,526	2,159	39	2,120
Utah	36,162	51,159	921	50,238
Washington	823	1,164	21	1,143
Wyoming	180,720	255,667	4,604	251,063
	$ 534,214	$ 714,812	$ 12,874	$ 701,938

73. Question: On November 4, 1983, the Minerals Management Service (MMS) sent a letter to all royalty payors regarding the reconcilitation of royalty accounts of less than $100,000. The letter states that "Each State currently under the cooperative audit process will be given the option to reconcile, within a 1-year period, all debit and credit account balances under $100,000. If the State does not opt to reconcile the account, the MMS will undertake steps to write off the account using required Government-wide procedures. Account balances below $100,000 in States not having cooperative audit agreements will be written off using required Government-wide procedures." (Emphasis added).

(a) Why is the MMS planning to write-off accounts of less than $100,000?

(b) How many accounts would be written-off under this plan? How much money in royalties would go unrecovered?

(c) Were the States and Indian tribes consulted prior to the announcement of this plan?

(d) Please describe the "Government-wide procedures" referred to by the MMS.

Answer: An unbalanced account is an account which shows either a credit or debit balance to the Government. The MMS has been reconciling unbalanced accounts for the last 1 1/2 years since the conversion of the Royalty Management field offices onto the new computerized Auditing and Financial System (AFS) from the old Royalty Accounting System (RAS). Under the old RAS, over 10,000 accounts were found to be out of balance. All unbalanced accounts through the Tulsa office conversion have been reconciled. Of the accounts reconciled, MMS found as many credits as debits. Where appropriate, refunds or credits were given or additional royalties were collected. The net to the Government has been approximately $1.7 million. As a result of our experience with account reconciliations in five offices, we have established a floor below which we do not intend to reconcile accounts because the process costs more than what is recovered. This decision will impact only the unbalanced accounts from the Albuquerque and Casper offices. Though some of these accounts will not be reconciled, which is a process of comparing data reported from the company to data recorded on RAS, virtually all leases will be audited by either the MMS, the Office of Inspector General (OIG), or State cooperative auditors at some point. These audits would include a reconciliation of any account not previously reconciled.

The number of accounts under $100,000 that are not to be reconciled in the Albuquerque office is 5,216; for the Casper office, the estimated number is 8,900. Of the Albuquerque accounts, approximately 80 percent are in New Mexico; for the Casper office, approximately 80 percent are in Wyoming. Both of these States have a cooperative audit effort with the Department of the Interior (DOI).

It is difficult to estimate how much money would go unrecovered if these unbalanced accounts were not reconciled because, as previously stated, credits owed companies oftentimes offset debits owed the Government.

In the case of those States who have cooperative audit agreements with us, the States have the option to reconcile accounts of less than $100,000. Since many of the States want to follow up on any possible source of revenue, MMS anticipates positive responses. Both New Mexico and Wyoming have indicated they will reconcile these accounts.

The States were not consulted prior to MMS making its decision on the $100,000 floor. This decision does not impact Indian accounts which will be reconciled to a zero balance by MMS to carry out the Secretary's fiduciary responsibility.

If the States do not elect to pursue the unbalance of under $100,000, we will review accounts identified by the States on a case-by-base basis and, where it appears that the cost of pursuing the balance exceeds the net revenue to be collected by the Government, we will recommend to the General Accounting Office (GAO) that the balance of these accounts remain in the RAS. The Department of the Interior, itself, cannot write off anything.

The Government-wide procedures referred to by MMS are those procedures described in the GAO Manual for Guidance of Federal Agencies, Title 4 Claims (Debt Claims) and is independent of MMS.

74. Question: Attached is a summary of a meeting of the Ad Hoc Subcommittee on Oil and Gas Royalties of the Conference of Western Attorneys General. The summary indicates numerous concerns regarding the Department's practices regarding oil and gas royalty management. Please submit a written response to each of these concerns.

Answer: In order to adequately respond to this question, additional time is required. Upon completion, the response will be forwarded.

75. Question: Please provide the Committee with a status report on all cooperative agreements and delegations made by the Secretary under the authority of Sections 202 and 205 of the Federal Oil and Gas Royalty Management Act of 1982.

Answer: The Federal Oil and Gas Royalty Management Act of 1982 regulations are being prepared for final submission into the Federal Register. These regulations address cooperative agreements under Section 202 and delegations under Section 205 of the Act. In addition, MMS is preparing procedures by which States can apply for funding for cooperative agreements under Section 202. Currently, there is one cooperative audit which follows Section 202 criteria with the State of California. This cooperative audit was initiated as a result of settlement of a court action.

76. Question: How much is included in the budget of the Department for Federal assistance to States and tribes under these authorities? How many agreements and delegations is this amount expected to cover?

Answer: The Department has identified $1,500,000 for funding under Sections 202 during FY 1985.

This amount will fund six to eight cooperative efforts.

Onshore Oil and Gas Leasing

77. Question: Section 101(b) (1) of the Federal Oil and Gas Royalty Management Act requires the Secretary to "inspect at least once annually each lease site producing or expected to produce significant quantities of oil or gas in any year or which has a history of noncompliance with applicable provisions of law or regulations".

77.a. Have you complied with this requirement?

Answer: Following the passage of the Federal Oil and Gas Royalty Management Act of 1982, the Bureau of Land Management began developing a nationwide Inspection and Enforcement (I&E) strategy that would ensure annual inspection of lease operations covered by Section 101 of the Act and appropriate enforcement actions on operator non-compliance. This I&E program strategy includes: training programs for Petroleum Engineering Technicians; supervised experience for new inspectors; advanced training for experienced inspectors; development and implementation training for experienced inspectors; development and implementation of a computer supported Onshore Oil and Gas Inventory and Inspection System (OGLIIS); preparation of annual District Inspection Plans; publication of Site Security Regulations (7-11-83) to prevent the theft of oil and gas; publication of proposed rulemaking for civil penalties; and the establishment of Bureau Quality Assistance Teams to ensure uniform, fair and firm I&E implementation. Moreover, the I&E program strategy provided guidance for the development of Cooperative Agreements with States and Indian Tribes to augment inspections and the expeditious handling of exception reports in cooperation with MMS's Royalty Management. To date we have entered into four pilot cooperative agreements (one Indian Tribe and three State).

The Bureau supervises approximately 146,000 oil and gas leases on Federal and Indian lands, of which about 19,000 are producible. At the beginning of FY 1984, four State Offices were fully meeting the requirements of Section 101 of FOGRMA, while the other State Offices were reporting various degrees of success.

With inspection workloads increasing at a 5 to 10 percent annual rate and a need to put more leases in the high priority I&E category, the Bureau and Department are requesting an increase for I&E in FY 1985.

77.b. Question: How do you determine which leases will be inspected and which will not?

Answer: The nationwide I&E program strategy established priority criteria for District inspection plans based on operator profiles of compliance, the magnitude of production, environmental risks, public health and safety risks. Inspection resources such as availability of qualified, trained inspectors are then allocated to priority ranked leases. The District inspection plans identify leases under three priority criteria: High, Medium, and Low. Leases in the High category may have one or more priority criteria. However, a single criterion may dominate the inspection priority on a particular lease. This could, for example, involve a potential for loss of revenue, the presence of a significant acquifer or a significant environmental degradation.

77.c. Question: What are your plans with regard to inspections in FY 1985?

Answer: The Bureau plans to increase its annual inspection of oil and gas leases by 6,600 units to a total of 42,400 inspections conducted. This will require an increase of $1.65 million, supported by the OGLLIS computer system which will allow each inspector more time in the field; and a training system scheduled to address the needs of new inspectors and advanced training for experienced inspectors.

78. Question: Please provide a status report on reconcilitation of current and past oil and gas lease accounts. What has the Secretary done to "give priority to auditing those lease accounts identified by a State or Indian tribe as having significant potential for underpayment" as required under Section 101(c)(1) of the Federal Oil and Gas Royalty Management Act of 1982?

Answer: The unbalanced accounts for the Metairie, Tulsa, Los Angeles, Anchorage, and Washington, D.C., offices have been reconciled and closed out. As a result of the conversion delay for the Albuquerque and Casper offices, the reconciliation of unbalanced accounts for these offices will be completed in January 1985. Letters have been sent to the States of Colorado, Utah, and New Mexico to identify all accounts with balances under $100,000 which they may want to reconcile or they may want us to reconcile for cause.

79. Question: Section 303 of the Federal Oil and Gas Royalty Management Act of 1982 requires the Secretary to study the adequacy of royalty management for minerals other than oil and gas and to submit the study to Congress before January 12, 1984. Where is this study? Will it include proposed legislation?

Answer: As I indicated in my February 1, 1984, letter to the President of the Senate, a copy of which was sent to Chairman McClure, we have largely completed our work on the study. However, I am taking the time to review personally and carefully the findings and recommendations contained therein. This is in keeping with President Reagan's request that I begin my tenure as Secretary with a review of all policies, programs, and personnel of this Department. This review has caused a delay in the completion of the study and in the submission of the study to the Congress. We do, however, expect to have the study completed and submitted in the near future.

0. Question: The Bureau of Land Management has proposed changes to its simultaneous oil and gas leasing system after having suspended the program in October 1983. In line with these changes, Secretary Clark has pledged more manpower, more intensive training of geologists, and greater use of consulting services in the collection of data. The Department has requested an increase of $7 million over the 1984 level of $75.3 million. Do you believe that the proposed budget increase for onshore oil and gas leasing is sufficient to accommodate an expansion of economic and policy analysis, as well as better data collection?

Answer: The total requested increase for BLM's FY 1985 onshore oil and gas program is $5 million. Part of this increase ($980,000) will be used to expand and keep current the data collection used to determine known geologic structures (KGS). During FY 1985 we anticipate making approximately 1,050 such determinations. The FY 1985 oil and gas budget proposes to spend $450,000 to perform energy and policy analyses addressing complex issues concerning energy leasing and development. An additional $300,000 is proposed in the nonenergy minerals portion of this budget. Together this will enable the Bureau to collect and analyze all the data required to support onshore oil and gas leasing decisions.

Refuge Oil and Gas Leasing

81. Question: In 1981 the Interior Board of Appeals (IBLA) ruled that acquired non-withdrawn lands in the National Wildlife Refuge System were open to oil and gas leasing. Prior to this ruling, all wildlife refuge lands outside Alaska were considered by the Department to be closed to leasing except in cases of drainage or where the Federal Government did not own the subsurface rights.

The U.S. Fish and Wildlife Service estimated that the IBLA decision would affect approximately 1 million acres of the approximately 13 million acres of wildlife refuge lands in the lower 48.

Following publication of regulations governing these proposed leasings in June, 1983, Congress directed the Department to undertake extensive environmental analysis of the proposed development lands as a prelude to any mineral activity and made $500,000 available for that purpose in the FY 1984 budget.

In a January 31 letter to Congressman Yates, Secretary Clark stated: "...the Department has no plans to allow oil and gas activity on the wildlife refuges under consideration. Therefore funds for environmental analysis are now unnecessary." Are we to assume that these lands have been withdrawn and are no longer available for leasing? If so, have the requirements of Section 202 of FLPMA been met?

Answer: The refuge lands under consideration, and most other refuge lands have never been withdrawn by law from application of the Mineral Leasing Laws of 1920, et al, and therefore may be made available for leasing consideration at the discretion of the Secretary of the Interior at any time. The only refuge areas exempted from the leasing laws are the Simienof unit of the Alaska Maritime Refuge and parts of Desert, Salt Plains and Salton Sea Refuges in the lower 48. All other refuge lands may be leased by the Secretary if leasing is determined to be compatible with the purposes for which the refuge was established. (The requirements of Section 202 of FLPMA govern the land use planning of public lands administered by the Secretary through the Bureau of Land Management, and are therefore not applicable to refuge lands.)

However, as you are aware, Congress has directed the Department to undertake extensive environmental analysis as a prelude to granting any oil and gas leases on refuge lands outside of Alaska, except under conditions of drainage or where mineral rights are owned by State or private parties. We have reviewed this matter carefully and, as stated in our letters to Chairman McClure and Chairman Yates, we have decided not to pursue the leasing of non-Alaska refuge lands at this time, except in the case of drainage. While this decision has the effect of temporarily closing refuge lands outside Alaska to Federal oil and gas leasing, it does not constitute a withdrawal of lands from application of the mineral leasing laws.

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User Fees

82. Question: What assumptions does the FY 85 budget make regarding revenues resulting from the collection of entrance, user, and other fees on the nation's parks and public lands?

Answer: Interior's actual and estimated receipts from recreation entrance and user fees are as follows:

	Fiscal Years $ (millions)				
	Actual 1982	Actual 1983	Est. 1984	Est. 1985	Est. 1986
January 1984	18.8	21.7	24.1	41.0	43.3

Estimated receipts are based on the assumptions that park visitation will increase at a rate of about 2.5% per year, and that legislation now pending before the Congress will be enacted that would permit new and increased park entrance fees to be collected beginning in FY 1985. The legislation is expected to produce an additional $14.7 million in park recreation fees in 1985.

83. Question: What new legislative proposals are needed to implement these fee increases? Have these proposals been transmitted to the Congress?

Answer: Legislation is required to remove the prohibition against establishing new park entrance fees or raising existing ones. The Department submitted the required legislation on March 1, 1983. It is still pending before the Congress.

84. Question: Does the Administration plan to raise user fees for the National Park Service, Fish and Wildlife Service, and the Bureau of Land Management again in FY 1985? If so, by how much?

Answer: No increase in user fees is contemplated for either the Fish and Wildlife Service or the Bureau of Land Management. The National Park Service will continue to adjust user fees as necessary to maintain comparability with rates charged by the private sector for similar services and facilities. Overall, the Service expects these fees to increase by about 25 percent.

Fish and Wildlife Service
User Fees Collected

FY 1982	FY 1983	Estimated FY 1984	Estimated FY 1985
$111,000	$107,000	$115,000	$115,000

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Dam Safety Cost Sharing

85.a. Question: On January 24, the President outlined this Administration's current water development policies in a letter to Senator Laxalt. The President stated that the cost of dam safety work should be borne by the Federal Government. This was a complete reversal of this Administration's previous position. In both the 97th and 98th Congress, the Administration has urged Congress to amend pending dam safety legislation to require non-Federal beneficiaries to repay a significant portion of dam safety costs. Why did the Administration change its position?

Answer: President Reagan's January 24, 1984, letter to Senator Paul Laxalt stated:

> "Safety problems at Federal dams should be corrected as expeditiously as possible. The cost of safety work should be borne by the Federal Government. However, if additional economic benefit results from the modification, appropriate cost sharing among the beneficiaries shall be allocated by the appropriate Secretary. Criteria to determine dam safety designation shall be developed by an interagency technical team in consultation with non-Federal parties."

It is the goal of this Administration to revitalize water development programs and to avert the threat of water crises in the coming decades. The construction of storage reservoirs has not kept pace with the increasing demand for water, and as a result, our water supply is less reliable and more vulnerable to drought. In many cases, if dam safety problems are not corrected, then water users will be forced to contend with reservoir restrictions which will further decrease the water supply.

There has been controversy in recent years as to who is responsible for dam safety modifications and who actually benefits from those modifications. It is widely accepted that dam safety is the responsibility of the individual dam owner. The dams identified as requiring safety modifications by the Bureau of Reclamation are federally owned. Thus, the Federal Government is responsible to ensure the safety of its structures.

Dam safety modifications can be considered as insurance against potential disasters. Normally, the Federal Government authorizes emergency funds in the event of a disaster such as a dam failure. This money could be better spent by reducing the possibility of disaster at a number of dam sites, rather than waiting for the catastrophe to happen.

QUESTIONS SUBMITTED BY J. BENNETT JOHNSTON

Water Development and Prior Commitments

85.b. Question: The President stated that "the Federal Government has made prior commitments to individual States with regard to water development within their borders." Further on, in describing the Administration's water project financing and cost-sharing policy, the President stated that "Prior commitments to individual States with regard to water development within their borders must be considered and shall be factor in negotiations leading up to project construction." What constitutes a "prior commitment"? Please list and describe all such "prior commitments."

Answer: The term "prior commitments" was intended to indicate a broad range of agreements, from recognition of State supremacy of water rights to an understanding that we would work together to maximize the attainment of State and National needs and goals. As an example, some states have developed or are in the process of developing State Water Plans to optimize the utilization of their valuable water resource. We have and intend to aid that process whenever possible.

We believe the following illustrates the type of commitments involved:

(the information follows:)

Item	Description or Purpose
1. Nineteen ongoing investigations in FY 1984 and FY 1985.	Cost-sharing to aid the process of the investigation of a potential project.
2. Fifteen proposed new investigations in FY 1985.	Cost-sharing to aid the progress of the investigation of a potential project.
3. Colorado River Salinity improvement.	Title II, P.L. 93-320, mandates specific cost-sharing arrangements.
4. Pick-Sloan Missouri Basin Program	The Administration recognizes a commitment to the States of the Missouri Basin to provide irrigation developments commensurate with those embodied in the Flood Control Act of 1944.

QUESTIONS SUBMITTED BY J. BENNETT JOHNSON

Federal Reserved Water Rights

85.c. Question: The President stated that the Federal Government has "offered States the option of having Federal reserved water rights within their boundaries expeditiously inventoried and quantified to enhance their management capability." Please explain.

Answer: The courts have determined that when Federal reservations of land were established, by order of the President or by an act of the Congress, water rights for Indian reservations, national parks, national wildlife refuges, military reservations, national forests, etc., were reserved, with a priority date as of the date of the reservation to meet the anticipated water requirements of the area. In most cases, the quantity of the water right was not specified. Until the water right is quantified, it generally clouds other water rights within the river basin affected. Priority will be given to water-right settlements through negotiations with the various interests involved in order for the States and non-Federal water-right users to make firm plans for future water resources developments. No Federal reserved water rights were created for Bureau of Reclamation projects. Instead, Congress in Section 8 of the original 1902 Reclamation Law required the Bureau to acquire its water rights in conformance with State law.

QUESTIONS SUBMITTED BY J. BENNETT JOHNSTON

Reclamation Reform Act

86.a. Question: The Administration has submitted legislation, S.2238 to repeal section 203(b) of the Reclamation Reform Act of 1982. Section 203(b) is the so-called "hammer provision" which states that reclamation farmers must either come under the new law by April 12, 1987, or pay the full cost of reclamation water supplied to leased lands in excess of 160 acres. The Department's budget highlights state that the Department's 1985 program will emphasize "seeking increased charges for water services to encourage better water use and secure more revenues to cover increasing costs." Isn't it true that S.2238 would actually prevent the Department from increasing charges for water services?

Answer: Repeal of section 203(b) would allow districts to continue operating under the terms and conditions of their existing contracts. In certain instances, especially in some districts with fixed-rate water service contracts, full O&M payments to the United States may not be recovered until the contract matures, or is amended. However, any new or amended contract executed after October 12, 1982, to provide additional or supplemental benefits will also be amended at the same time to conform to the new provisions of law, including the requirement that districts pay annually all O&M costs due to the United States.

86.b. Question: Some reclamation farmers have argued that section 203(b) is unconstitutional. Do you agree? Please submit any Solicitor's opinions that have been rendered on this issue. If no Solicitor's opinion has been rendered, do you plan to request one?

Answer: We have not made any determination on the constitutionality of this provision. We have continually indicated that we must enforce section 203(b) of the Reclamation Reform Act unless it is changed by the Congress or overturned in the courts. We do not plan to ask the Solicitor's office for a formal opinion on this issue. The Solicitor did address section 203(b) in a letter dated April 22, 1983, which responded to questions raised by the General Accounting Office. We will provide for the record a copy of the Solicitor's reply to Mr. Robert Hunter, Assistant General Council.

(The information follows:)

DEP Water RF

United States Department of the Interior

OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

RRA: §203(b)

APR 22 1982

Mr. Robert H. Hunter
Assistant General Counsel
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Hunter:

I am responding to your letter numbered B-209947 of March 8, 1982, regarding section 203(b) of the Reclamation Reform Act of 1982, P.L. 97-293 (hereafter RRA). In addition to answering your specific questions, I am offering my views on whether implementation of § 203(b) may effect a breach of contract. This additional matter is implicit in the specific questions asked.

Question:

Is an irrigation district which does not amend its contract required to collect and pay to the United States an additional charge established pursuant to section 203(b) for furnishing irrigation water for agricultural purposes to leaseholds in excess of 160 acres of land, which are otherwise eligible for service without payment of the additional charge?

Response:

An irrigation district is required under standard water service contract terms to pay the United States for federal reclamation water delivered. The district in turn receives payment from the individual water users in the district pursuant to separate contracts. Under § 203(c) of the RRA, the district will be required to collect any additional obligation which may accrue due to an individual's irrevocable election. (An irrevocable election allows individual water users to take advantage of the RRA's increased acreage entitlement in the absence of district action.) The district must pay such monies to the United States. Water service to an irrigation district which fails to pay fully all obligated costs to the United States may be terminated under the terms of the standard water service contracts.

Additional charges will be imposed by application of § 203(b) upon leaseholds in excess of 160 acres in non-amending districts after April 12, 1987. Such charges will be required to be collected by the district in the same manner as for additional obligations resulting from an irrevocable election. The RRA does not limit the amount of leased acreage that can receive federal water. It merely requires that a subsidy not be provided under specific circumstances.

Question:

If the district is legally required to collect any additional charges under § 203(b) may it obtain damages in the amount of the additional charge?

Response:

An irrigation district could obtain damages for any additional obligation imposed by § 203(b) only if there is direct injury to its vested interests. Application of § 203(b) will not cause such damage.

Prior to the RRA, an individual water user was eligible to receive reclamation water at a subsidized rate for up to 160 acres of owned land (320 acres for a husband and a wife). An individual water user was allowed to receive water at the subsidized rate for an unlimited amount of leased acreage. The RRA changed this provision of prior law. Section 204 provides that a qualified recipient in an amending district is entitled to receive water at the subsidized rate for 960 acres of owned and/or leased land. Full cost must be paid for federal water used to irrigate leased land in excess of 960 acres.

The individual water users within a district will benefit from the increased acreage entitlement if the district: 1) enters into a new water service or repayment contract; or, 2) enters into an amendment of its existing contract which enables it to receive supplemental or additional benefits; or 3) amends its contract for the sole purpose of conforming to the RRA. If the district does not take one of these actions prior to April 12, 1987, full cost must be paid for water delivered to leased lands in excess of 160 acres.

The only parties that conceivably could be damaged are those individuals who are in a district which chooses not to amend, or whose district does not request and receive additional or supplemental benefits requiring contract amendment. It is thus only after the water users, through their district, reject the opportunity to amend the district's contract that water users leasing land in the district will become subject to § 203(b).

A district may amend at any time. It is only after 4 1/2 years from October 12, 1982 that the water service obligation of some lessees will increase.

In addition, the specific federal benefit--the amount of water to be delivered under a district's contract--is not altered by operation of § 203(b). Concomitantly, the district's contract rate is not affected. (Repayment obligations, ad valorem taxes, etc. have been calculated at this rate.) The only effect § 203(b) has on the district as a legal entity is that an additional amount of money may be collected from some individual water users. The district already collects money from these users. The only difference under § 203(b) is that the amount of the payment from some water users may be greater. The increased administrative costs to the districts which, of their own choosing, decide to make § 203(b) applicable to themselves should be minor under any circumstances.

Questions:

May the owner of leased lands collect damages from the United States for the difference in the value of the lands because of section 203(b), or in any other amount? and,

May the lessee collect damages from the United States for diminution of the value of the leasehold interest, or in any other amount?

Response:

These questions are related. Restated, the question is whether the lessor and/or lessee of lands served by Reclamation project water may collect damages from the United States for alteration of the value of the fee, and diminution in the value of the leasehold interest, respectively. Neither the lessor nor the lessee would have a justiciable claim against the United States.

The Supreme Court has repeatedly held that Congress has broad power to alter contracts between private parties. See Norman v. B&O Railroad, 294 U.S. 240 (1934). See also U.S. v. Central Eureka Mining Co., 357 U.S. 155 (1958) and U.S. v. Willow River Power Co., 324 U.S. 499 (1945). Operation of the federal government would be difficult if the United States was required to pay damages for every change its programs made in the value of private property and private agreements.

In U.S. v. Fuller, 409 U.S. 488 (1972), the Court held that the government was not required to compensate condemnees for the enhanced value of their land attributable to its proximity to Federal grazing lands. By analogy, the delivery of irrigation water also increases the value of land. Section 209(d) of the

1982 Act empowers the Secretary to sell excess lands when an owner fails to do so according to a recordable contract. Section 209(d) provides that "[t]he Secretary shall recover from the owner the fair market value of the land unrelated to irrigation water deliveries. . . ." 96 Stat. 1269 (emphasis added). The increase in the value of land attributable to irrigation water deliveries is created by government action, as section 209(d) recognizes. Should the government deprive a farmer of reclamation water deliveries it would be destroying an element of value it created, and would be doing so other than through the power of eminent domain. The Fuller Court stated that: ". . . the government as condemnor may not be required to compensate a condemnee for elements of value that the government has created, or that it might have destroyed under the exercise of governmental authority other than the power of eminent domain." Id. at 492. According to Fuller, a complete cessation of irrigation water deliveries would not be a compensable taking. Application and implementation of Section 203(b) can at the most result only in a price increase--a much less extreme injury.

In Carruth v. U.S., 627 F.2d 1068 (1980), the Court of Claims held that no compensable taking resulted when the government reduced the price it paid farmers for peanuts purchased under the price support system when the peanuts contained a mold. The court stated that:

> It is well settled that lawful regulatory action does not constitute a compensable taking merely because the result is to diminish the value of private property, reduce profits, or prevent the most beneficial use of such property. . . . Especially in cases where there has been no direct appropriation of property by governmental agencies, consequential damages resulting from the exercise of lawful regulations are not compensable takings within the purview of the Fifth Amendment. Id. at 1081.

Section 203(b) is a lawful exercise of congressional regulatory power under the Carruth Court's reasoning.

More specifically, the Supreme Court has held that Congress may impose reasonable terms and conditions upon the use of government water. Ivanhoe Irrigation District v. McCracken, 357 U.S. 275 (1957). This is analogous to placing terms and conditions upon the receipt of food stamps and other social welfare programs.

5. Additional matters

Perhaps the most controversial question raised by § 203(b) [which is implicit in your line of questioning] is whether § [illegible] effects an unlawful breach of the pricing terms of an irrigation district's water service contract with the United States. Most water service contracts place a ceiling upon the price the United States can charge the irrigation district for water. In April 1987, individual water users in non-amending districts may be required to pay full cost for reclamation water delivered to leaseholds in excess of 160 acres. In most cases this price may be in excess of that which is specified in the water service contract. Thus, it may be contended that full cost pricing under § 203(b) effects an unlawful breach of contract.

In Perry v. United States, 294 U.S. 330 (1934), the Supreme Court reasoned that:

> There is a clear distinction between the power of Congress to control or interdict the contracts of private parties . . . and the power of the Congress to alter or repudiate the substance of its own engagements. . . . When the United States, with constitutional authority, makes contracts, it has rights and incurs responsibilities similar to those of individuals who are parties to such instruments.

Id. at 350-2. Following the Perry analysis, § 203(b) may be argued to be an unlawful alteration of an engagement of the United States--the water service contract.

A close analysis of the way § 203(b) is intended to be implemented shows that it does not effect an unlawful breach of the water service contract. Under prior Reclamation law, a district was not allowed to deliver water to individually owned acreage in excess of 160 acres unless a recordable contract had been executed. The recordable contract provided for the sale of the excess land within a certain number of years. Section 203(b) simply requires, after April 12, 1987, that non-amending districts collect full cost for water delivered to an operator of more than 160 acres of leased land. The United States still sells the district water at the rate established in the contract. The only difference under § 203(b) is that the district must collect full cost for water delivered to leased lands held by an individual in excess of 160 acres. Section 203(b)'s effect on the cost of water to districts is so limited as to be wholly insufficient to create an action for breach of contract.

Even assuming application of § 203(b) were possibly determined to effect a breach of contract, it will not become operational until April 1987. Congress may amend the Act between now and then. The uncertainty as to possible congressional action is compounded by the many other contingencies that are involved. It is not known how many districts will choose to amend, or will request supplemental and/or additional benefits requiring contract amendment. It is not now apparent who, if anyone, will be injured nor to what extent. Accordingly, no justiciable case or controversy is possible until at least April 1987.

The Supreme Court has long prohibited the federal courts from deciding issues of inadequate ripeness under the Case or Controversy clause of the United States Constitution. In Federation of Labor v. McAdory, 325 U.S. 450 (1945) the Court stated that: "It has long been (our) considered practice not to decide abstract, hypothetical or contingent questions. . . ." Id. at 461. In United Public Workers v. Mitchell, 330 U.S. 75 (1947), the Court held that: "A hypothetical threat is not enough. . . . It would not accord with judicial responsibility to adjudge . . . except when definite rights appear upon the one side and definite prejudicial interferences upon the other." Id. at 90. The Court's language in Longshoremen's Union v. Boyd, 347 U.S. 222, is lucid and directly applicable to the facts in this case:

> Appellants in effect asked the District Court to rule that a statute the sanctions of which had not been set in motion against individuals on whose behalf relief was sought, because an occasion for doing so had not arisen, would not be applied to them if in the future such a contingency should arise. That is not a lawsuit to enforce a right; it is an endeavor to obtain a court's assurance that a statute does not govern hypothetical situations that may or may not make the challenged statute applicable. Determination of the scope and constitutionality of legislation in advance of its immediate adverse effect in the context of a concrete case involves too remote and abstract an inquiry for the proper exercise of the judicial function. (emphasis added)

Id. at 224. A lawsuit to have § 203(b) declared invalid before April 1987 would likely meet the same result as that the appellants encountered in Boyd.

I trust this satisfactorily provides the information and analysis necessary to respond to the inquiry. If you have any further questions, please contact Gary Fisher (343-9391) of my staff.

Sincerely,

SOLICITOR

cc: Stanley A. Feinstein
Senior Attorney
Office of General Counsel
U.S. General Accounting Office
Room 7047
441 G Street, N.W.
Washington, D.C. 20548

Docket
LW CL CLC
Secretary RF (2)
Solicitor RF
DER RF
DER Water RF
DER Goldberg
DER Israelsen
DER Washington
DER Fisher

SOL/WEP Reporter Ext. 34036 4/13/83 Disk 3

Repeal of the Hammer Clause (Section 203(b))

86.c. Question: If Congress does not repeal section 203(b), will you vigorously enforce it? Will you vigorously defend it in the courts?

Answer: Our intent to enforce section 203(b) is reflected in the preamble of our final rules and regulations on acreage limitation published on December 6, 1983. Section 43 CFR 426.7(3) provides that if section 203(b) is not repealed by January 1, 1987, the Department will take all actions necessary to fully implement this section of the law. This also implies that we will defend our actions in the courts.

QUESTIONS SUBMITTED BY J. BENNETT JOHNSTON

Congressional Authorization of Feasibility Studies

87. Question: The Federal Water Project Recreation Act provides that the Department shall not prepare a feasibility report on a water resource project unless specifically authorized by Congress. However, the Department is no longer using the term "feasibility study" and instead is referring to pre-construction studies as "plan formulation investigations" and "advance planning studies." Does this mean that the Department will no longer seek Congressional authorizaton for pre-construction studies?

Answer: While the feasibility study authority requirement remains in effect, to avoid unduly delaying the initiation of plan formulation investigations the project investigation stage of the new planning process will proceed on the basis of testimony presented to the Appropriation Committees. It is our intention that advance planning studies will not be initiated unless feasibility study authorization exists or the Congress enacts legislation authorizing construction.

QUESTIONS SUBMITTED BY J. BENNETT JOHNSTON

Advance Planning Reimbursability

88. Question: The Department is proposing appropriations act language that would treat the costs of advance planning studies as project costs, to be repaid in accordance with the allocation of constructions costs if the project is ever authorized. This proposal is inconsistent with a bill reported by this Committee, S.622, which contains no provision for repayment. The Department supported S.622 and did not recommend a repayment provision. Why has the Department changed its position? Will the Department be submitting new legislation on this subject for referral to this Committee?

Answer: S.622 was a feasibility authorization bill for specific investigations; the concept of making advance planning costs reimbursable is a much broader issue. Support for S.622 as a feasibility authorization bill does not represent an inconsistent position with regard to advance planning reimbursability, but only supports the position that the specifically named potential water resource projects warrant feasibility grade investigations to aid the national water resource development needs.

Proposed language in the fiscal year 1985 appropriations act is an interim measure; we are reviewing proposed legislation to the Congress to amend P.L. 92-149 to make Federal advance planning costs reimbursable.

35-235 O - 84 - 18

Rules and Regulations of Reclamation Reform Act

89.a. Question: On December 6, 1983, the Department published its final rules and regulations regarding the Reclamation Reform Act of 1982. The proposed regulations set forth the following standard contract provision to be included in contracts entered into pursuant to the act: "The parties agree that the delivery of irrigation water pursuant to this contract is subject to Reclamation law, as amended and supplemented, including, but not limited to the Reclamation Reform Act of 1982 (Public Law 97-293) and the regulations promulgated by the Secretary of the Interior under the authority of that Act." However, in the final regulations, the reference to regulations promulgated by the Secretary has been deleted. The narrative portion of the final regulations explains that there was concern expressed regarding this reference and that the Department agreed to delete it because it is "a redundancy." What concerns were expressed? Why is reference to regulations a redundancy? Will deletion of the reference in any way limit the applicability of the regulations?

Answer: The general concern expressed by persons commenting on the standard contract article as written in the proposed rules was that the Department of the Interior might arbitrarily and unilaterally issue new rules which would adversely affect contractors.

We consider this concern unwarranted because the Department cannot issue new rules and regulations without going through the rulemaking process. The rulemaking process involves public hearings, Federal Register notices, and ample opportunity for public comment on any proposed regulation. Thus, the concern that the Department might suddenly and arbitrarily issue new regulations is not valid.

The standard contract article was changed in the final rulemaking, not in response to the aforementioned public comments, but simply because separate reference to the regulations was unnecessary. Reference to "the Reclamation Reform Act" includes any rules and regulations which have been lawfully issued in order to carry out that act. Therefore, it was redundant to append further: "the Reclamation Reform Act and the regulations promulgated by the Secretary of the Interior under the authority of that act."

89.b. Question: The final regulations include an illustrative example of a trust arrangement that was not included in the draft regulations: "Farmer X, a qualified recipient, owns 960 acres eligible to receive irrigation. He decides to place 160 acres of this land in a living trust with his daughter as the life tenant. The 160 acres of trust land shall be counted against the daughter's entitlement." Does this example assume that the daughter is a dependent of Farmer X, as defined in section 202(4) of the act? If so, this example implies that a farmer may place 960 acres in a living trust for each of his dependent children and also retain 960 acres in his own name. Thus a family of five could effectively own and farm 3,840 acres. Is this the Department's interpretation of the act?

Answer: The example in the rules assumes the daughter is not a dependent and, therefore, any land held by her, whether it be in trust or by other means, must be attributed to her for purposes of determining her entitlement. Any other interpretaion would be contrary to the definition of "individual" as it applies to qualified recipients. That is to say, if the daughter had been a dependent, the example would have shown the trust land being attributed to the "individual"--husband and wife and any dependents. A February 8, 1984, Bureau of Reclamation policy memorandum addressed the issue of establishing trusts for dependents. We will provide for the record a copy of this document and the associated Solicitor opinion.

(The information follows:)

United States Department of the Interior
BUREAU OF RECLAMATION
[redacted]
WASHINGTON, D.C. 20240

IN REPLY
REFER TO: D-410

FEB 8 1984

Memorandum

To: Regional Director, PN, MP, LC, UC, SW, UM, LM
Attention: 400
Lerling

From: Commissioner

Subject: Trust Criteria

Individual owners and operators electing to conform to the discretionary provisions of the RRA (Reclamation Reform Act of 1982), as well as owners and operators within an amending district, must meet the requirements of either a qualified or limited recipient to be eligible to receive water. A qualified recipient may be either an "individual" or a "legal entity." A limited recipient, however, must always be a legal entity. The definition of legal entity, as set forth in the rules, has been interpreted broadly enough so that most forms of multiple ownership are, or can be, accommodated within it. The definition of "individual" is more restrictive. As set forth in the law and rules, it means "any natural person, including his or her spouse, and including other dependents as defined and interpreted in the Internal Revenue Code of 1954 (26 U.S.C. 152) * * *" [see section 426.4(j) of the final rules for the complete definition].

Thus when, under the discretionary provisions, a trust is proposed for a legal entity, a natural person, or even several natural persons, we may have to look beyond the entity or those persons named in the trust in determining eligibility and overall entitlement. For example, if a minor child is named as the beneficiary of a trust established under the discretionary provisions, we must also consider the land owned by that child's parents as well as any other land held in trust for other minor children in determining the family's entitlement. In this particular case, the parents and children, all natural persons, form what is defined as an "individual" in both the law and the rules. As an individual, they are entitled to own a total of 960 acres, or the equivalent thereof, westwide in all forms of ownership, including trusts.

Also be aware that in order for a dependent child of a landowner to be named as a beneficiary of a trust established under the discretionary provisions, that landowner would also have to agree to conform to the discretionary provisions. If this did not occur, it can be seen that under prior law husband and wife could own 320 acres, with each dependent child having the potential for being the beneficiary of a 960-acre trust established under the discretionary provisions. The amassing of huge quantities of land through legalistic manipulation, is clearly outside the spirit and intent of the law.

Since under prior law the basic family unit is not considered an individual, each family member may legally be the beneficiary of a 160-acre trust. Such a trust, if established after December 6, 1979, would fulfill the beneficiary's overall entitlement under prior law. If the trust were set up prior to December 6, 1979, it was possible to establish a 160-acre trust on a district-by-district basis. Nevertheless, we should caution those who are contemplating the establishment of trusts under prior law that if section 203(b) of the law is not repealed, and it therefore becomes necessary for them to elect to conform to the discretionary provisions to escape the full-cost provisions of 203(b), land exceeding 960 acres owned by or in trust for an "individual," as the term is defined for the discretionary provisions, could become excess and eventually ineligible for service [see section 426.11(b) of the rules for a more complete discussion of this potentiality].

Furthermore, it has come to our attention that in some quarters the dissolution of existing trusts is being considered so that such trusts can be reestablished under the final rules (but still under prior law), thus evading the seven criteria for trusts set forth in the Commissioner's and Solicitor's memorandum dated March 17, 1962. From a policy standpoint, we have no objection to this; however, parties contemplating such a move should be forewarned that we will consider any trusts newly established or reestablished under prior law to be subject to the 160-acre westwide entitlement criteria. Moreover, any trusts proposed under prior law in which a party is both trustor and trustee will not be approved. Such a manipulation would allow the trustee to become the indirect beneficiary of more than his or her entitlement under the law.

If there are questions concerning the contents of this memorandum please contact Phillip Doe, D-410, FTS 234-7195.

(Sgd) Robert A. Olson

Attachment

United States Department of the Interior

OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

FEB

LBR ER 0123

Memorandum

To: Commissioner

From: Associate Solicitor, Energy and Resources

Subject: Trust Criteria under the Reclamation Reform Act

We have reviewed your proposed memorandum to the Regional Directors regarding criteria to be applied in determining ownership entitlement for beneficiaries of trusts. We have in addition been requested by the Regional Solicitor, Pacific Southwest Region, for advice regarding the criteria to be used in determining the ownership entitlement of partnerships that are trust beneficiaries. These issues are related. We therefore offer our views on both.

We agree with the conclusions contained in your proposed memorandum as explained herein. We have disagreed with the initial conclusions of the Regional Solicitor regarding the eligibility of legal entities to execute an irrevocable election as also explained herein.

A. Definitions

Your memorandum on "Trust Criteria" contains numerous statements that are difficult to understand without reference to the relevent statutory and/or regulatory provisions. We therefore will discuss each of your premises separately with citations to the Reclamation Reform Act of 1982 (43 U.S.C. 390aa et seq.) (hereafter, RRA) and the Rules and Regulations supplementing that Act, 43 CFR 426 et seq. (hereafter Rules). As an initial matter, I will reiterate the obvious--these definitions are in the RRA and Rules to assist in the calculation of the quantity of land allowed in various ownerships to which irrigation water can be delivered, i.e., the ownership entitlement.

Statement: "Owners and operators electing to conform to the discretionary provisions of the RRA (as well as owners and operators within an amending district), must meet the requirements of either a qualified or limited recipient to be eligible to receive water."

Answer: True. Section 203(c) of the RRA provides that

> "(c) In the absence of an amendment to a contract . . . a qualified or limited recipient may elect to be subject to the provisions of this title. . . ." (emphasis added.)

Only a qualified or limited recipient is entitled under the law to execute an irrevocable election. Section 426.5(d) of 43 CFR further provides that once the qualified or limited recipient executes an irrevocable election, "all irrigation land in the recipient's landholding shall be subject to the discretionary provisions." The election, once made, is forever binding (irrevocable) on the qualified or limited recipient so electing.

Statement: "A qualified recipient may be either an 'individual'" or a legal entity."

Answer: True: The RRA defines qualified recipient in Section 202(9), (43 U.S.C. 390bb(9)) as

> (v) The term "qualified recipient" means an individual who is a citizen of the United States or a resident alien thereof or any legal entity established under State or Federal law which benefits 25 natural persons or less. (emphasis added)

The definition is repeated in 43 CFR 426.4(v) verbatim. Either an individual or a legal entity can therefore be a qualified recipient.

Statement: "A limited recipient, however, must always be a legal entity."

Answer: True. The RRA defines limited recipient in section 202(7), (43 U.S.C. 390bb(7)) as

> The term "limited recipient" means any legal entity established under State or Federal law benefiting more than 25 natural persons.

This definition is repeated verbatim in Section 426.4(r) of the Rules. A limited recipient is therefore always (and only) a legal entity under the RRA.

The definitions of qualified and limited recipient, however, contain further terms requiring definition, i.e., "individual," and "legal entity."

Statement: "The definition of legal entity, as set forth in the rules, has been interpreted broadly enough so that most forms of multiple ownerships are, or can be, accommodated within it."

Answer: True. The term "legal entity" was not defined in the Act itself. The rules at 426.4(q), however, define the term broadly -

> (q) The term "legal entity" means any business or property ownership arrangement established under State or Federal law, including but not limited to, corporations, partnerships, associations, joint tenancies, and tenancies-in-common.

This definition is intended to be broad in order to accommodate the large variety of ownership arrangements legally existing under state and federal law. Memorandum from Associate Solicitor, Energy and Resources, to Acting Regional Solicitor, Pacific Southwest Region, Re: Definition of Legal Entity, April 19, 1983. The Act's definitions of limited recipient directs that "any legal entity . . ." is to fall within the definition. The word "any" is commonly defined and understood as an indefinite number, not limiting its subject. The Act's use of the term "any legal entity" is thus to be construed as encompassing a broad, or indefinite, number of business or property ownership arrangement. The department's responses to specific comments made on the draft rules reinforced this interpretation by stating that

> the term "legal entity" is broad enough to include trust and estates as well as other types of ownership without specifically identifying all those forms of ownership. 48 Fed. Reg. 54751 (Dec. 6, 1983)

Business investment and capital venture trust arrangements are considered to be legal entities under the Act. While fiduciary trusts specifically discussed under § 214 of the Act (43 U.S.C. 390nn) are technically legal entities, different criteria apply as we discuss herein.

Statement: "The definition of 'individual' is more restrictive."

Answer: True. As set forth at Section 202(4) of the Act (43 U.S.C. § 390bb(4)) and 426.4(j) of the Rules the term individual is defined in relevant part as

> any natural person, including his or her spouse, and including other dependents as defined and interpreted in the Internal Revenue Code of 1954 (26 U.S.C. 152) *** [see section 426.4(j) of the final rules for the complete definition].

The Internal Revenue Codes' Definition found at 26 U.S.C. § 152 generally defines "dependent" to mean any related "individual over half of whose support, . . . was received from the taxpayer. . . ." A specific list of those people having family or other ties to the taxpayer is then provided in the IRS Code to specify for the purposes of the tax code, as well as now the RRA, those persons having "dependent" status.

If an individual is a "dependent" then his or her ownership of irrigation land" is counted with that of the natural person upon whom he/she is dependent to determine ownership entitlement (limitation).

B. Criteria for Determining Ownership Entitlement of Trust Beneficiaries

1) Individuals

Two specific fact situations have arisen regarding the ownership entitlement of trust beneficiaries. The first is whether irrigation land placed in trust by a qualified recipient for the benefit of a dependent must continue to be counted against the qualified recipient's ownership entitlement. More specifically, you request whether "if a minor child is named as the beneficiary of a trust established under the discretionary provisions, must we also consider the land owned by that dependent child's parents as well as any other land held in trust for other minor dependent children in determining the family's entitlement."

We agree with your conclusion that even though both parents and children are natural persons, for purposes of determining ownership entitlement under the RRA they become an "individual." As an "individual" they are a "qualified recipient" (assuming U.S. citizenship or resident alien) entitled to own together a maximum of 960 acres of land westwide in all forms of ownership, including trusts."

This conclusion is consistent with both § 214 of the RRA (Trusts) (43 U.S.C. 390nn) and the Rules, 426.6(b)(4). Section 214 provides that trust beneficiaries may not have "interests in the lands served [which] exceed the ownership and pricing limitations imposed by Federal Reclamation law, including this title." The regulations further explain this by providing

> 426.6(b)(4) Trusts: An individual or corporate trustee holding land in a fiduciary capacity is not subject to the ownership or pricing limitations imposed by title II nor any other provisions of Federal Reclamation law. However the interest of each beneficiary in trust land in combination with other land he or she may own shall not exceed the ownership entitlement of title II unless the land is under recordable contract. (emphasis added).

Only a qualified or limited recipient is eligible to receive irrigation water under the discretionary provisions of the RRA (§§ 203-208). The "beneficiary" of a trust must therefore be a qualified or limited recipient to receive irrigation water up to the ownership entitlement allowed by the RRA. Furthermore, only individuals and legal entities are qualified or limited recipients.[1] A dependent is considered to be legally a part of the "individual" entitled as a qualified recipient to own a maximum of 960 acres westwide. In conclusion, the acreage limitation to which trust beneficiaries are subject is therefore the 960 acres per qualified recipient or a 640 acre ownership for limited recipients. An inquiry as to the identity of the trust beneficiary and information as to any possible interests in other "irrigation land" the beneficiary may have is therefore appropriate in determining eligibility to receive irrigation water."

It follows that we agree with your admonition that

> Also be aware that in order for a dependent child of a landowner to be named as a beneficiary of a trust established under the discretionary provisions, that landowner would also have to agree to conform to the discretionary provisions. If this did not occur, it can be seen that under prior law husband and wife could own 320 acres, with each dependent child having the potential for being the beneficiary of a 960-acre trust established under the discretionary provisions. The amassing

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1/ While a fiduciary trust is technically a legal entity, § 214 of the Act exempts the trust from the pricing and ownership limitations of the law so long as the beneficiaries of the trust are in compliance with the applicable ownership and pricing limitations. The trust itself has an unrestricted ownership entitlement and the trustee would never file an irrevocable election in his fiduciary capacity.

> of huge quantities of land through legalistic manipulation, is clearly outside the spirit and intent of the law.

For purposes of determining dependent status, we are of the opinion that minor children should be presumed to be "dependent" unless the contrary is conclusively established. To establish "non-dependency," the recipient should be prepared to supply the Bureau the necessary tax information to prove the minor is not claimed as a dependent for federal income taxes purposes.

We furthermore agree with the remaining portions of your proposed memorandum concerning 1) establishment of trusts under the ownership limitations of prior law (each family member may be the beneficiary of a 160 acre trust), 2) reestablishment of trusts created under the ownership limitations of prior law (they may be reestablished but will be subject to westwide entitlement criteria), and 3) possible impacts on trusts established under the ownership limitations of prior law and failure to repeal section 203(b) (full cost may become applicable).

Finally, you expand the term "prior law" as used in the last paragraph of your memorandum to: "the ownership limitations of prior law" in order to minimize possible confusion.

2. Legal Entities

The Regional Solicitor, Pacific Southwest Region, has been asked to determine the maximum nonexcess entitlement of four general partnerships where each of the partners is a single beneficiary trust.

The Regional Solicitor states that

> Each partnership agreement includes the following provision:
>
> > Each partner irrevocably waives any and all rights that it may have to maintain an action for partition with respect to any undivided interest it may have in partnership assets or to compel any sale of them under Part 2, Title 10, Chapter 4, of the California Code of Civil Procedure.

The Solicitor's November 29, 1965 memorandum to the Regional Solicitor, Sacramento regarding the Pradera Del Lago partnership states that a competent participant in a partnership must have a

partitionable possessory interest in partnership property. Satisfaction of this requirement was necessary only if the partnership wanted to hold more than 160 acres of nonexcess land. The final Rules reflect this requirement of prior law. 426.6(d)(6).

A partnership under the RRA is defined as a legal entity, 43 CFR 426.4(q). Like all legal entities which are subject to the provisions of the Reclamation Reform Act, it may own no more than 960 acres of nonexcess land as a qualified recipient or 640 acres as limited recipient. A partner in a partnership (like a joint tenant in a joint tenancy) subject to the provisions of the Reclamation Reform Act need not have a partitionable possessory interest in the partnership property.

However, each individual partner must have an identifiable interest which, combined with any other possessory interests in irrigation land, may not exceed the law's ownership limitations. The Rules at 426.6(b)(3) provide that when a multi-ownership arrangement is a qualified recipient

> no member of the entity through this or in combination with any other ownership arrangement [may own] more than 960 eligible acres receiving irrigation water westwide.

The law furthermore requires the certification and reporting of all irrigation land owned and leased in all districts, the identification of the owners and operators thereof, and other pertinent information to insure that abuses of the ownership entitlement provisions of the new law do not occur. § 206(43 U.S.C. 390ff), 43 CFR 426.10. An identifiable number of acres may thus be required to be attributed to each natural person that is a "beneficiary", "member", etc. of a legal entity comprising a qualified recipient. If a specific number of acres cannot be attributed to each member, then for the purposes of determining the ownership entitlement under the RRA, it should be presumed that each member owns as equal proportional number of acres to every other member in the legal entity.

C. Irrevocable Elections by Legal Entities

The Regional Solicitor has suggested that a further problem may arise from the fact that all of the partners in each of the partnerships are single beneficiary trusts. We assume that "single beneficiary" means "benefiting one natural person" or one individual under the RRA. The question arises as to whether the partnerships are entitled to execute an irrevocable election.

Section 203(c) of the Reclamation Reform Act provides that "a qualified recipient or a limited recipient may elect to be

subject to the provisions of (the Act) by executing an irrevocable election." To repeat, a qualified recipient is defined in Section 202(9) as ". . . any legal entity established under State or Federal law which benefits twenty-five natural persons or less" and limited recipient is defined in Section 202(7) to mean "any legal entity established under State or Federal law benefiting more than twenty-five natural persons." The Regional Solicitor has suggested that since these partnerships benefit other legal entities (rather than natural persons as that term is used in Sections 202(4), 202(7) and 202(9) of the Reclamation Reform Act), the partnerships' respective irrevocable elections cannot be accepted. I disagree.

There is no evidence in the statute or its legislative history to suggest that Congress did not intend to allow legal entities to execute irrevocable elections. The Department has, as we stated earlier, broadly interpreted "legal entity" to mean "any business or property ownership arrangement established under State or Federal law." The legality of specific trusts, as well as most partnership arrangements, is determined by state law. If the partnerships or trusts are legally established under State law, they are legally entitled to execute irrevocable elections under Section 203(c) of the Reclamation Reform Act. The issue of legal establishment under state or federal law is a separate issue that will require resolution in each specific instance.

In the particular fact situation herein, the Regional Solicitor has determined that since the partnerships are benefiting trusts rather than natural persons, the partnerships are not legal entities as defined in the RRA and regulations. This conclusion presumes that the law precludes the Secretary from requiring the requesting legal entity to furnish the necessary information concerning the ultimate natural persons who are the beneficiaries of irrigation water. This is simply not the case.

The Secretary is precluded from delivering irrigation water to lands held by recipients except in conformance with the Reclamation laws, including RRA Sections 206 and 209(a), 43 U.S.C. 390ff and ii. In order for the Secretary to meet the legal mandate, he must be provided sufficient information to determine the identity of the natural persons (ultimate beneficiaries) comprising legal entities (multi-ownership arrangements). The Rules provide at 426.6(b)(3) that

> All multiownership legal entities are considered to be qualified recipients, provided that: the ownership is a legal entity established under State or Federal law, the entity does not benefit more than 25 natural persons, no member of the entity through this or in combination with any other ownership arrangement owns more than 960 eligible acres receiving

irrigation water westwide, and the entity has met the contract requirements for a qualified recipient as set forth in section 426.5.

The irrevocable election form and the certification and reporting requirements allow, if not in fact require, the requesting qualified or limited recipient to identify the natural persons who are to benefit from receipt of irrigation water. If this involves "piercing the corporate veil", in a parent-subsidiary corporate structure, or "piercing the trust" in the current situation, this is authorized. If the qualified or limited recipient seeking the irrevocable election, or proposing the trust, objects to providing the information required for the Secretary to fulfill his statutory responsibilities, then there is no requirement in the RRA that the Secretary accept the irrevocable election, certify the trust, or take any other requested action.

Please contact Gary Fisher at 343-9391 if you have any questions on this matter.

Lawrence J. Jensen
Associate Solicitor
Energy and Resources

cc: Regional Solicitors Pacific Southwest Region
Pacific Northwest Region
Intermountain Region
Rocky Mountain Region
Southwest Region

Your reading of the example causes us concern, and I have directed my staff to issue a clarifying memorandum so that this reading does not become inadvertently an administrative reality.

89.c. Question: The proposed regulations provided that an individual in a district that has not amended its contract may receive irrigation water on no more than 160 acres that he owns westwide. The final regulations provide that such an individual may receive irrigation water on no more than 160 acres that he owns in each district, provided that the land was acquired on or before December 6, 1979. According to the narrative portion of the final regulations, December 6, 1979, is the date of a Solicitor's opinion stating that the acreage limitation must be applied on westwide basis. What is the legal basis for exempting lands acquired prior to December 6, 1979, from the westwide rule? How many acres fall within this exemption and where are they located? What is meant when the narrative portion of the final regulations states that this rule "recognizes past practices?" Were the past practices legal?

Answer: Your statement that we have exempted land acquired prior to December 6, 1979, from the westwide rule is factually incorrect. We have simply stated in the final rules that land acquired prior to December 6, 1979, in districts which remain under prior law will not become subject to westwide application until first transfer (section 426.6(d)(1)(i), examples 1 and 2). This means that any land transfers after October 12, 1982, in nonamending districts, whether it be by sale, inheritance, gift, or whatever other means, will automatically become subject to the 160-acre westwide rule. While this phase in approach to the westwide rule is not as dramatic as the approach set forth in the draft rules, it will eventually achieve the same end--all land subject to Reclamation law, even in nonamending districts, will become subject to the westwide rule. We think this approach is good, responsible public policy. First of all, Congress was unclear in the RRA on how we were to apply the westwide rule in nonamending districts: it only gave us direction on how to apply the westwide rule in amending or new districts. We took our lead from the December 6, 1979, Solicitor's Opinion. (He also recognized that implementation of this opinion would require rulemaking.) But in writing final rules, we also took into account that between 1926 and 1979, many, if not most, repayment and water service contracts have written into them specific contract language which calls for the 160-acres ownership limitation to be applied on a district-by-district basis.

89.d. Question: The proposed regulations provided that landholders of less than five acres or of tracts that produce less than $5,000 of gross annual sales in agricultural commodities are exempt from the certification and reporting requirements of the act. The final regulations expand this exemption to 40 acres and places no limit on the amount of gross annual sales. What is the legal basis for this exemption? What percentage of Bureau of Reclamation water users are exempted by this regulation? How much water is involved?

Answer: In the Department's Regulatory Impact Analysis for Acreage Limitation, it was estimated that approximately 45 percent, or about 39,000, of the nonexempt landowners on Reclamation projects would be exempted from certification and reporting requirements under the 40-acre threshold. These landowners receive roughly one million acre-feet of irrigation water deliveries annually.

The purpose of raising the exemption threshold to 40 acres is to eliminate needless and burdensome paperwork on the part of the landholders and on the part of the irrigation districts which must take the lead in administering the certification and reporting requirements on a day-to-day basis. It is important to note that the 40-acre threshold is a westwide total: it does not exempt, for example, the holder of several small parcels which total more than 40 acres.

The Department's objective is to administer the RRA according to the intent of Congress. We do not believe it was the intent of Congress to place unnecessary paperwork requirements upon what are for the most part small, noncommercial landholdings on Reclamation irrigation projects.

Another objective of the Department of the Interior is to administer Reclamation law economically. The cost savings to the Federal Government, irrigation districts, and landholders which will result from raising the certification and reporting acreage threshold, and from simplifying the originally proposed forms, are estimated at $7 million annually.

It is apparent that landholders who own and lease a total of no more than 40 acres westwide are nowhere near their ownership or full-cost acreage entitlements under either the discretionary provisions of the RRA or prior law. For this reason, as well as for the reason of administrative practicality, such landholders have been exempted from certification and reporting requirements.

89.e. Question: The proposed regulations provided that irrigation districts with Small Reclamation project loans which were entered into prior to the date of enactment of the act must continue to abide by the provisions of the loan contract. However, the final regulations provide that such loan contracts may be amended to conform to the Small Reclamation Projects Act, as amended by the Reclamtion Reform Act. What is the legal basis for this new interpretation of the Reclamation Reform Act? Why did the Department change its interpretation? Please estimate the amount of foregone revenues that will result from the Department's new interpretation.

Answer: Section 223 of the RRA simply states that the 1956 Act is amended so that the interest threshold on water delivered to owned land in SRPA districts is increased from 160 acres to 960 acres for qualified recipients and 320 acres for limited recipients.

We took the strictest possible interpretation in the draft rules when we stated that this provision of law would only be applied prospectively. The language in the law itself certainly did not allow for this interpretation since it set forth no exclusions, yet we based our proposed rulemaking on the language in the Conference Report (page 36). We also recognized from the outset that the language in the Conference Report is less than definitive in giving direction as to how we were to proceed.

During the course of the public review of the draft rules, it became clear that if we were to maintain our posture on section 223 of the law, we would be fostering a double standard in districts which amended their contracts to come under the discretionary provision, but which were also obligated to the United States under an SRPA loan. That is, the district would amend with the understanding that each qualified recipient could expand his or her ownership to 960 acres westwide and receive water at the contract rate for all of the land. Yet under the SRPA contract, those same landowners would be required to make an interest payment on all water delivered to owned land exceeding 160 acres. This brought into focus the equity issue that the conferees were concerned about, but which at that time could not be clearly defined.

We also were confronted with the very real problem of dealing with the charge of being arbitrary and capricious in our rulemaking, particularly from those who had recently entered into SRPA contracts, but were being denied the promise of section 223 of the law by virtue of a rather inconclusive, if not obscure, paragraph in an accompanying, but separate, document.

Our solution was to revise the final rules so that the double standard and the disincentive to amend were eliminated. Integrated into this decision process was the clear knowledge that this administrative procedure could result in a loss of approximately $13.5 million over the life of existing SRPA contracts if all districts bound by such contracts elected to amend to take advantage of the 960-acre interest threshold. But given the promise the law affords qualified recipients, we felt then, and feel now, that we could not do otherwise.

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QUESTION SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Wetlands

90. Question: The legislation that has been reported from the Senate Committee on Environment and Public Works establishing this new acquisition program would transfer Land and Water Conservation Fund monies directly to the wetlands acquisition fund, thus circumvencing the Congressional appropriations process. Do you support this approach?

Answer: The critical and far-reaching problem of wetlands destruction must be attacked on many fronts. S. 1329 would do that by providing for increased Federal acquisition and support for State wetland conservation programs. Recognizing that we must take aim at the root causes of wetland destruction, S. 1329 also reflects the interest of every American in wetlands conservation, by authorizing use of the Land and Water Conservation Fund for this purpose. The need for a comprehensive wetlands conservation program deserves attention and, we believe, the opportunity to share in LWCF funding.

However, the Administration does not support an automatic annual appropriation for the purposes of wetlands conservation. As the FY 1985 budget request shows, we support an annual appropriation, with Congressional oversight, for this program.

QUESTIONS SUBMITTED BY SENATOR J. BENNETT JOHNSTON

Wetlands

91. Question: The Administration is again proposing no money for the state side of the Land and Water Conservation Fund; the Historic Preservation program; or the Urban Parks Program. Yet, this year it is recommending $7.5 million for a new state grant program for the acquisition of wetlands. Isn't the existing Land and Water Conservation Fund state grant program adequate for this purpose without creating a new land acquisition program?

Answer: In order to stem the tide of wetlands destruction, to support the Nation's wildlife resources that depend on wetlands, to uphold the Nation's treaty obligations, and to ensure the recreational and commercial benefits that wetlands supply, the Department of the Interior has proposed several wetlands initiatives. One of the proposed initiatives utilizes the Land and Water Conservation Fund (LWCF) for both Federal and State wetlands preservation efforts, especially land acquisition.

However, the purpose of the LWCF Act is to assist in preserving, developing and assuring outdoor recreational resources to all present and future citizens of the United States. Acquisition of wetlands to preserve their inherent wetland and wildlife values is not a specific purpose for State projects funded under the LWCF Act. Whereas the Act requires a 50:50 ratio of Federal/State funding, the proposed grant program for wetlands acquisition envisions a 75:25 Federal/State ratio.

QUESTIONS SUBMITTED BY SENATOR BUMPERS

ADDITIONAL COMMITTEE QUESTIONS

Asset Management (Federal Land Sales)

92. Question: In FY 84, BLM originally requested $18 million for Asset Management. Congress ultimately appropriated $3 million for the program.

93. What is the request for Asset Management -- or for all activities supporting public land sales -- in FY 85?

Answer: In the FY 1985 budget request all public land sales activities are funded within the Realty Operations subactivity. About $2.2 million is requested for funding of the public land sales program in FY 1985 as a part of an overall land disposal strategy which includes exchanges, Recreation and Public Purposes Act transfers, State selection conveyances and boundary adjustments as well as sales.

94. Question: Secretary Watt announced last summer that the Department of the Interior would no longer be subject to Property Review Board directives regarding disposal of public lands. Is that policy now in effect?

Answer: That policy is now in effect; public land sales activities are conducted in accordance with Department of Interior regulations and are not subject to Property Review Board review.

95. Question: How much land does the BLM expect to sell in FY 85?

Answer: In FY 1985 BLM plans to offer 40,000 acres of land for sale. How much will actually be sold depends upon a number of uncontrollable factors.

96. Question: Will all of the tracts offered for sale have been identified for disposal in Resource Management Plans or updated Management Framework Plans?

Answer: Only those lands which have been identified as suitable for disposal through the Bureau's Land Use Planning Process will be offered for sale.

97. Question: Will acreage targets for sales be sent to BLM field offices in FY 84 or FY 85?

Answer: Sales acreage targets are not prescribed for BLM field offices. Those offices are directed to develop land sale plans which are responsive to the needs and desires of the State and local governments and the public land users as well as to Bureau objectives to improve the manageability of land holdings and to offer land for sale or other disposal if that land would serve public needs better in private ownerships, after appropriate planning review.

ADDITIONAL COMMITTEE QUESTIONS

Implementation of ANILCA

98. Question: In the FY 81 and 82 budget submissions, a breakdown of funds for implementation of the Alaska National Interest Lands Conservation Act (ANILCA) was provided. This breakdown enabled Congress to examine the allocation of ANILCA funds. In order that the Committee can determine the relative emphasis on development and conservation activities in implementation of the Act, please provide a detailed breakdown of Interior's proposed funding levels for ANILCA in the FY 85 budget.

Answer: A table summarizing funding estimates for the Alaska National Interest Lands Conservation Act (ANILCA) follows. It should be noted, however, that since FY 1983, the Department has fully integrated the work requirements of ANILCA into its ongoing workload. Work authorized by ANILCA is not viewed as a special operational requirement and is not usually singled out as a specific line item in the budget. With respect to the relative emphasis on development and conservation activities of ANILCA, the programs of the National Park Service and the Fish and Wildlife Service focus on conservation activities, while the Bureau of Land Management's work is more oriented toward developmental activities.

(In thousands of dollars)

	FY 1983	FY 1984	FY 1985
Alaska Land Use Council a/	150	150	150
National Park Service - Regional Office Programs	1,613	2,001	2,114
Fish and Wildlife Service - Regional Office Program Support, Equipment, Other Administrative Expenses	3,226	3,679	3,832
Fish and Wildlife Service - Construction	--	6,325	--
National Park Service - Construction	3,520	4,850	2,002
Fish and Wildlife Service:			
Pribilof Island Acquisition	5,500	--	--
Acquisition Management	110	410	120
Migratory Bird Conservation Account	200	--	--
Bureau of Indian Affairs - Section 506(d) Reimbursements	500	--	--
Solicitor --Legal Services	218	226	230
Total b/	57,839	61,740	52,259

a/ Represents Interior portion; additional Federal support totalling about $150,000 per year is provided by the Departments of Agriculture, Commerce, and Transportation.

b/ Excludes funding for Bureau of Indian Affairs under ANCSA as follows: FY 1983: $3.6 million; FY 1984: $2.9 million; FY 1985: $2.3 million.
Also excludes funding for Bureau of Land Management Cadastral Surveys (Alaska) as follows: FY 1983: $10 million; FY 1984: $12.1 million; FY 1985: $10.1 million.

Alaska National Interest Lands Conservation Act
Summary of Funding

(In thousands of dollars)

	FY 1983	FY 1984	FY 1985
Land Management			
National Park Service Operations	9,209	9,233	9,182
National Wildlife Refuge Operations	6,858	10,286	10,410
Bureau of Land Management Operations	250	300	400
Subtotal	16,317	19,819	19,992
Planning			
National Park Service Master Plans	653	813	813
Refuge Comprehensive Plans	1,627	1,679	1,625
Bureau of Land Management Planning	558	426	459
Geological Survey - Conservation Unit Mapping	500	200	50
Subtotal	3,338	3,118	2,947
Conveyance Activities			
Bureau of Land Management:			
Native Conveyance	2,300	2,100	2,000
State Conveyance	500	500	500
Withdrawal Review	48	60	60
Geological Survey - Conveyance Mapping	600	800	1,100
Bureau of Indian Affairs - Native Allotments	1,619	1,700	1,400
Subtotal	5,067	5,160	5,060
Studies			
National Park Service - Kantishna/Dunkle Mine	2,500	--	--
Fish and Wildlife Service:			
Arctic NWR Coastal Plain Resource Assessment	1,185	1,231	1,181
Non-North Slope Studies	79	131	172
Bristol Bay Study	539	223	137
Wild and Scenic Rivers	13	13	13
Barren Ground Caribou Study	327	327	327
Subsistence Uses	450	470	470
Other	65	50	--
Bureau of Land Management:			
Wild and Scenic Rivers	170	190	165
Arctic NWR Coastal Plain Resource Assessment	100	600	400
Geological Survey - Alaska Mineral Resource Assessment	9,252	9,367	9,547
Subtotal	14,680	12,602	12,412
Alaska Subsistence Grant	1,000	1,000	1,000
Bureau of Land Management - Non-North Slope Leasing	2,400	2,400	2,400

Economic Use of National Wildlife Refuges

99. Question: Secretary Watt last year directed his National Wildlife Refuge managers to expand the "economic uses" of the refuges. Do you agree with that goal? Is that directive still in effect?

Answer: The expansion of economic use of National Wildlife Refuges will occur only when it is determined that any increase is compatible with the established purpose of the refuge and when there is sufficient available funding to support the effort. Modest increases in economic use of refuges, including timber harvest, grazing, and haying, are expected to continue as these activities are closely related to current habitat management practices which benefit wildlife populations.

Renewable Resources

100.a. Question: The BLM's budget request for renewable resources (wildlife, recreation, range management, soil/water/air management, forest management, and fire management) declines in FY 85 for the second consecutive year.

What specific activities will be affected by the reduced funding for renewable resources?

Answer: FY 1984 - FY 1985 Renewable Resources Funding

Activity	FY 1984 Approp. Enacted	FY 1985 Estimate	Increase(+) Decrease(-) 1985 Estimate over 1984 Approp.
Forest Management	$ 6,112	$ 6,286	+174
Wild Horse and Burro Mgmt.	4,974	5,081	+107
Grazing Management	31,360	28,438	-2,922
Soil, Water and Air Management	16,595	12,882	-3,713
Wildlife Habitat Management	13,515	11,705	-1,810
Recreation Management	18,360	16,077	-2,283
Fire Management	7,446	7,490	+44
Total	$98,362	$87,959	-$10,403

100.b. Question: Do you think these activities have been too generously funded in the past years?

Answer: Funding needs for the renewable resources activities vary over the years due to changes in social, economic, and resource conditions. It is the BLM position that the funding requested for FY 1985 is sufficient to properly manage renewable resources and to make the necessary decisions regarding program actions. The funding level proposed for FY 1985 exceeds historic funding levels for all years except the last four (FY 1981-1984). It is believed that efficiencies resulting from policy and procedural changes during the past three years allow for reduced expenditures while maintaining the BLM's commitment to proper resource management.

National Park Service

A-76 Directive

Question: A-76 Directive. The National Park Service is reviewing the work needs at selected parks in each of the 10 Park Service regions under a re-interpretation of OMB's A-76 contracting directive.

I understand that, under the new guidelines, if the review indicates that contracting for a particular function would be more cost-effective in more than 50% of the cases studied, then all parks would be required to contract out for that function. Is that correct?

Is it correct that this policy would apply to all routine maintenance activities as well as those major jobs (construction, road building, etc.) that have routinely been contracted for in the past? Wouldn't requiring park superintendents to take bids for these small jobs limit their flexibility to move personnel around among different projects?

Are the National Park superintendents generally supportive of the new policy?

Answer: After careful assessment of A-76 requirements, and the need to insure the National Park Service is providing the best service to the visitor, the earlier decision to contract for a particular service category in all parks has been temporarily suspended. The Service will evaluate 62 high priority work categories identified in A-76 this April, and will determine which are totally commercial in nature and should be made available for contracting, and which should be continued as National Park Service performed functions.

National Park Service management at all levels is concerned that the services provided to the public are of the highest quality and are performed efficiently.

Onshore Oil and Gas Leasing

102.a. Question: The budget proposes an increase of about $6 million in FY 85 for the onshore oil and gas leasing program. The budget summary explains that the increase is "primarily for the additional work needed to review and classify Known Geologic Structures" and for other related activities.

BLM officials and BLM internal documents have indicated in recent months that the problems in properly administering the oil and gas lottery have been due to insufficient funding and staffing. Will the proposed increase ensure that BLM has the needed capability to comply fully with the law in administering the program?

Answer: The FY 1985 budget request for BLM's Oil and Gas Program contains $980,000 for resource classification actions required to identify Known Geologic Structures (KGS's). This funding would permit the Bureau to process KGS determinations on a current basis keeping tract of all wells drilled and redefining KGS's, as appropriate.

102.b. Question: Does the Department expect to issue about the same number of noncompetitive oil and gas leases this year as it has in previous years?

Answer: In FY 1985 BLM will process approximately 16,700 noncompetitive lease applications. This will be an increase over the number currently estimated for FY 1984, due to the suspension of the program; but it is comparable to the number of applications processed in previous years.

102.c. Question: Do you expect lottery applications to decrease as a result of the new requirement that first year rental fees must be paid at the time of application? By what percentage?

Answer: As a result of the advance rental requirement, we are anticipating about a 30 percent reduction in applications.

102.d. Question: I understand that the BLM is now going to consider geologic data in delineating KGSs. From what sources will BLM obtain this information? Will extra personnel be assigned to collect the information?

Answer: BLM already has undertaken to strengthen the process by which determination of Known Geologic Structures (KGS's) are made and modified as new information becomes available. Prior to October, KGS's were determined on a step-out basis only. Few geologists were employed. Today and in 1985 the following actions for KGS determination are used:

1) All geologic information is used,
2) Maps are prepared to describe limits of presumptively productive areas, and
3) Legal subdivisions are described.

BLM collects information for these determinations from a variety of sources including drilling on Federal leases, exchange arrangements with State governments, and private sources such as Petroleum Information Services.

ADDITIONAL QUESTION SUBMITTED BY SENATOR METZENBAUM

ANILCA Funding Summary

103. Question: Could you please provide a breakdown of the department's funding for the Alaska National Interest Lands Conservation Act? In particular, I would like to see how much the department is budgeting for resource development projects and how much is budgeted for implementing and enforcing the conservation provisions of the act.

Answer: A table summarizing funding estimates for the Alaska National Interest Lands Conservation Act (ANILCA) follows. It should be noted, however, that since FY 1983, the Department has fully integrated the work requirements of ANILCA into its ongoing workload. Work authorized by ANILCA is not viewed as a special operational requirement and is not usually singled out as a specific line item in the budget. With respect to the relative emphasis on development and conservation activities of ANILCA, the programs of the National Park Service and the Fish and Wildlife Service focus on conservation activities, while the Bureau of Land Management's work is more oriented toward developmental activities.

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b/ Excludes funding for Bureau of Indian Affairs under ANCSA as follows: FY 1983: $3.6 million; FY 1984: $2.9 million; FY 1985: $2.3 million.
Also excludes funding for Bureau of Land Management Cadastral Surveys (Alaska) as follows: FY 1983: $10 million; FY 1984: $12.1 million; FY 1985: $10.1 million.

Timber Contract Extensions

104. Question: How many persons or companies with contracts to cut timber on BLM land have asked for contract extensions since the policy of granting five year extensions began last year? What is the value of these contracts? Please provide the names of the companies or individuals seeking contract extension, including the amount and volume of the contract.

Answer: Since this policy went into effect, 106 persons/companies have requested contract extensions. The value of these contracts is $600 million. The following table lists the names of the purchasers, the uncut timber volumes, and the unpaid amounts of the contracts.

CONTRACT EXTENSION REQUESTS

State	Purchaser	Volume (MBF)	Value
California	Rammed Earthworks	263	$ 22,335
	Siller Bros.	1,842	449,935
	Sierra Pacific & Ind.	5,985	1,146,364
	" " "	3,997	289,023
	" " "	392	21,168
	Ross Schneider	70	6,665
	B&O Enterprize	385	75,075
	Indian Head Loggers	360	45,595
	Rice Logging	546	14,296
	Summit Contractors	1,086	100,440
	" "	485	13,051
	" "	521	33,983
Colorado	Delbert Norton	246	2,653
	Lloyd Wilkins	204	7,344
Idaho	Bill Weatherbee	95	388
	Jay Fluckinger	32	525
	Leland Christensen	174	2,850
	David Stelzer	24	0
	Richard Bevan	70	1,009
	" "	330	7,558
Montana	F. H. Stoltz	782	7,948
	Rod Dickens	70	1,600
	B&C Construction	180	1,100
	Kirkpatrick Poles	48	2,400
	Dave Sheets	733	64,589
	" "	584	33,244
	" "	282	21,400
	Louisiana Pacific	4,176	191,714
	Berg Lumber Co.	865	27,555

CONTRACT EXTENSION REQUESTS

State	Purchaser	Volume (MBF)	Value
Oregon	Alpine Veneer	987	212,464
	Avison Timber	2,534	909,700
		4,873	1,773,539
	Bles Studs	776	160,712
		504	45,206
	Bohemia	3,869	1,116,787
		2,085	256,370
		4,750	1,333,635
		6,610	2,414,022
		157	92,581
		9,359	3,288,619
		13,940	5,201,451
		2,040	826,578
		4,827	1,503,902
		2,775	948,141
		1,029	249,673
		8,098	3,680,058
		6,225	2,250,319
		3,852	1,314,110
		3,734	1,208,773
		11,279	6,751,603
		4,957	1,679,866
		2,355	566,789
		4,213	1,480,415
		4,120	1,485,290
		4,541	1,302,091
		2,349	681,453
		5,412	1,070,146
		8,720	2,893,596
		7,871	2,037,602
		2,995	1,130,630
		5,838	2,443,619
		2,219	455,633
		7,632	2,930,271
	Boise Cascade	23	40,000
		4,073	1,064,151
		3,833	686,824
		9,572	3,313,869
		10,822	2,030,097
		7,220	1,701,950
		2,338	955,034
		2,095	622,974
		7,453	2,550,830
		4,354	1,234,337

35-235 O - 84 - 20

State	Purchaser	Volume (MBF)	Value
Oregon	Boise Cascade	7,350	3,197,355
		4,343	1,065,005
		6,582	2,965,303
		2,921	1,387,425
		1,990	599,021
	Burrill Eugene Lumber	3,264	590,901
		1,329	243,257
	C & D Lumber	2,071	256,213
		2,077	321,106
		8,002	1,836,513
	Cedar Lumber	2,219	812,728
		2,400	966,237
		4,795	1,783,214
		7,138	2,902,075
	Champion	4,791	1,587,601
		1,838	626,673
		1,809	712,113
		2,714	791,432
		5,605	1,754,468
		5,960	2,036,874
		1,879	644,495
		6,882	2,514,194
		6,908	2,161,402
	Clausen Timber Products	8,595	2,440,678
		1,643	480,233
		4,434	1,318,823
		790	184,733
		3,419	928,088
	Coos Head Timber	1,297	516,575
		2,437	400,071
		2,761	649,217
		6,624	2,351,334
		9,810	4,274,728
	Croman Corp.	6,814	1,643,892
	Crown Zellerbach	971	408,029
		3,135	1,199,877
		5,754	1,684,106
		2,222	1,019,762
	Cuddeback Lumber	1,726	501,045
	Douglas County Lumber	8,863	2,729,811
		4,814	1,173,158
		1,876	362,378
		3,370	621,252

State	Purchaser	Volume (MBF)	Value
Oregon	Fibreboard	272	36,256
	Forest Grove Lumber	975	502,952
	Frank Lumber Company	2,903	809,734
	Freres Lumber Company	4,039	1,518,755
		325	19,333
		8,039	2,039,794
		5,370	2,240,137
		1,122	299,938
		2,192	818,656
		231	19,896
	Georgia-Pacific	1,730	687,660
		6,820	2,292,511
		5,437	2,275,850
		4,545	1,994,730
		2,479	2,185,720
	Golden Timber	234	39,754
	Gregory Timber Resources	3,018	627,714
		1,612	169,011
		3,903	1,211,761
		5,910	1,068,750
		8,731	3,556,829
		7,105	1,627,125
		6,732	1,283,685
		553	160,731
		7,222	1,701,662
		2,890	417,550
		2,260	397,653
		3,364	802,609
		5,590	1,557,625
		3,453	873,391
		3,105	875,550
		1,379	401,199
		1,231	409,668
		2,926	956,976
		1,193	471,540
		5,039	1,883,969
Hampton Tree Farms		1,192	339,094
		5,331	1,547,603
		524	39,179
		5,232	2,050,149
		5,217	908,173
		3,210	1,354,796
		3,241	1,405,962
		6,424	2,268,697
		1,168	371,940

State	Purchaser	Volume (MBF)	Value
Oregon	Hampton Tree Farms	2,344	746,865
		4,909	2,022,737
		5,767	1,718,274
		1,205	152,186
		2,613	793,688
		747	159,837
		4,229	1,489,782
		1,881	483,174
		4,091	1,473,556
		5,609	2,269,870
		8,268	3,448,426
		5,722	2,215,360
		4,280	1,417,199
	Heck Thomas	253	15,198
	Herbert Lumber	1,376	523,207
	Hobin Lumber	4,854	1,720,716
		1,137	222,852
		675	115,245
		4,439	1,304,228
	Hull-Oakes Lumber	4,433	1,502,098
		1,326	569,855
		4,152	1,434,039
	International Paper	4,379	1,456,543
		3,300	1,099,272
		1,780	714,558
		5,451	1,301,865
		4,726	1,848,035
		5,207	1,463,952
		1,569	445,253
		2,844	1,385,476
		672	249,171
		1,510	601,576
		4,532	1,774,415
		1,758	535,353
		2,230	681,434
		4,470	1,488,725
		1,578	495,285
		1,164	398,282
		4,247	1,014,417
		4,888	1,780,045
		73	12,783
		5,436	1,928,835
		4,340	1,862,302
		1,166	479,194
		5,245	2,204,793
		4,846	1,515,164
		5,630	2,404,980

State	Purchaser	Volume (MBF)	Value
Oregon	International Paper	8,019	2,558,867
		3,427	899,571
		7,532	2,508,921
		5,357	1,641,341
		6,269	2,927,668
		3,869	1,344,603
		4,722	2,270,041
	J & L Logging	182	50,737
		294	70,387
		127	33,700
		750	225,900
		1,851	87,250
	Johnson Timber Company	5,303	1,530,520
	Kauffman Delbert	90	1,221
	Kogap Mfg. Company	8,907	2,341,053
		5,809	1,517,946
	Lane Plywood	8,491	2,476,966
		4,714	2,800,481
	Little River Lumber Company	6,030	1,688,492
		4,642	623,898
	Louisiana-Pacific	1,706	552,000
	Mazama	1,557	620,464
		2,988	673,277
		7,349	4,049,535
		5,415	1,214,623
		3,214	1,268,137
		498	256,724
		1,540	538,870
		2,045	636,764
		3,066	957,865
	Medco Timber Company	8,336	4,217,832
		5,622	1,870,558
		7,205	1,923,853
		7,315	2,405,571
		5,714	1,208,392
		5,277	1,863,931
		3,010	2,561,200
		8,482	3,491,176
		8,217	2,734,891
		8,776	4,315,441
		9,426	4,731,804
		4,663	1,234,046
		4,773	1,614,380

State	Purchaser	Volume (MBF)	Value
Oregon	Medco Timber Company	6,644	3,013,754
		333	21,260
		5,048	1,864,748
	Modoc Lumber Company	3,578	88,719
	Moore Mill	5,166	2,418,413
		1,142	442,047
		2,321	926,470
		7,486	2,536,559
		5,861	2,969,543
		4,907	1,891,856
		7,780	3,999,189
		4,429	1,896,446
		2,229	1,739,507
		5,516	2,096,870
		5,528	2,498,359
		6,468	2,263,855
		4,482	1,486,208
	Mountain Fir Lumber	4,606	1,018,407
		3,074	903,010
		8,220	3,309,270
	Murphy	1,452	759,555
		1,018	65,398
		6,200	2,205,248
		3,242	892,649
		5,177	1,406,774
		3,511	755,522
		11,979	3,029,136
		5,489	1,113,345
		4,624	1,107,155
		5,881	1,348,500
		2,059	643,210
		2,967	855,164
		8,138	2,977,731
		11,982	3,316,920
		8,751	2,358,256
		6,298	2,805,559
		1,728	594,978
		5,506	2,248,447
		5,102	1,107,170
		2,902	621,061
		7,440	2,331,419
		4,525	1,320,230
		2,945	648,233
		4,067	1,493,607
		4,488	1,538,017
		9,393	3,079,534
		1,050	321,691
		4,456	613,583

State	Purchaser	Volume (MBF)	Value
Oregon	Murphy	3,581	1,169,633
		6,295	1,366,202
		4,806	1,752,617
	Nordic Plywood	2,650	704,397
		7,546	2,570,694
		7,363	2,670,426
		620	88,467
		3,546	973,507
		1,508	424,378
		5,075	1,231,591
		5,023	1,511,073
		9,291	3,311,180
		1,638	392,771
	Medee Lumber	1,893	592,639
		8,362	3,573,315
	Penn Timber	3,962	1,579,426
		6,030	1,942,117
	Publishers Paper	4,203	1,514,876
		2,882	853,336
		10,072	3,566,307
		2,382	729,482
	Publishers Paper	2,904	695,801
		3,329	835,807
		2,907	55,949
		3,413	1,048,177
		2,706	454,433
	Quiet Valley Veneer	206	17,372
		5,887	1,450,055
	Reservation Ranch	6,792	1,883,453
	Rex Timber	3,899	790,619
	Rogge Lumber Company	4,043	1,373,925
	Rosboro Lumber	3,750	1,455,026
		952	142,800
		1,622	634,018
		1,721	395,661
		4,733	1,551,686
		1,646	517,414
		5,623	1,487,603
		5,389	1,469,753
		6,069	2,343,798

State	Purchaser	Volume (MBF)	Value
Oregon	Roseburg Lumber	4,762	771,985
		1,575	524,674
		4,752	1,132,746
		3,362	682,502
		7,729	3,745,733
		4,479	1,369,813
		6,972	2,369,881
		3,376	1,244,653
		3,108	907,691
		3,267	1,350,616
		8,690	4,214,592
		2,494	856,976
		4,346	1,306,211
		3,013	1,179,205
		5,826	1,241,498
		2,946	855,315
		4,156	1,644,886
		8,967	2,427,949
		2,524	1,094,898
		4,342	1,674,483
		4,170	735,013
		5,297	1,352,281
		1,935	903,561
		8,751	3,504,281
		3,076	719,316
		4,492	1,099,140
		3,164	515,185
		6,369	1,544,304
		5,041	1,714,290
		3,070	628,126
		7,219	3,112,784
		5,747	1,539,948
		5,215	1,950,872
		4,527	2,148,276
		2,944	899,199
		4,937	930,799
		7,183	1,791,916
		2,811	651,941
		5,218	1,610,583
		4,376	1,028,415
		3,122	1,096,745
		5,159	1,568,387
		5,452	1,817,403
		6,898	1,912,104
		8,918	3,300,470
		5,533	2,154,626
		7,173	869,045
		5,381	2,112,534
		2,916	642,218
		9,131	3,680,990
		6,496	1,142,724

State	Purchaser	Volume (MBF)	Value
Oregon	Roseburg Lumber	3,074	1,016,565
		6,463	1,893,603
		3,148	874,419
		6,405	1,988,368
		7,634	2,151,274
		5,070	1,496,076
		5,200	1,188,614
		6,438	2,809,747
		3,278	1,150,843
		4,507	1,816,097
		6,810	3,505,605
		5,806	1,312,495
		645	201,915
		2,387	822,554

State	Purchaser	Volume (MBF)	Value
	Rough and Ready	2,731	515,505
		8,147	3,213,050
		2,708	692,613
		747	139,098
	Scotsman	7,276	1,799,169
	Seneca Timber	605	226,262
	Shiloh Forestry	380	114,891
	Simpson Timber Company	6,636	2,209,646
		7,276	2,555,749
		3,295	930,036
		4,343	1,531,907
		6,113	2,109,957
		7,371	2,779,758
	Skeels Frod	223	44,771
	Skeels Logging	624	73,300
	South Coast Lumber	1,831	147,096
		3,688	602,943
		3,773	712,208
	Southwest Forest Ind	3,824	1,399,738
		5,772	640,287
		8,025	820,564
		3,480	969,222
		8,048	3,106,346
		2,446	927,427
		4,128	912,652
	Spalding and Son	6,670	1,393,927
		4,005	225,229
		6,878	1,932,943

State	Purchaser	Volume (MBF)	Value
	Spaulding D and P	3,154	1,221,352
		5,014	1,614,637
		4,397	560,271
		4,813	1,230,158
		3,519	1,040,197
		2,202	865,355
		636	38,251
		2,106	631,174
	Standley Donald Logging	664	205,842
	Stimson Lumber Company	4,442	1,277,108
	Suntip Company	6,442	2,335,834
		2,057	457,970
		5,036	1,176,429
		8,368	2,183,513
		2,899	497,312
		7,497	2,966,604
		5,346	1,579,427
		4,325	710,029
		2,269	466,499
	Superior Timber Company	812	235,695
		1,471	307,591
		1,301	118,362
	Swanco Timber	569	96,012
		2,184	324,491
	Swanson Bros. Lumber	3,400	540,349
		4,906	577,361
		4,384	1,306,182
	Tangfeldt	1,625	507,693
		8,321	2,711,903
		5,510	1,304,801
		4,243	1,079,938
	Taylor John C. Lumber	6,480	2,665,837
		2,205	784,055
		2,549	1,057,269
		3,402	1,681,151
		3,083	1,417,263
	Timber Products Company	1,236	240,722
	Tomco	1,451	529,265
	Vanport Mfg.	925	34,235

State	Purchaser	Volume (MBF)	Value
	W and J Logging	5,651	1,782,262
		6,815	2,650,376
		7,639	2,969,041
		8,789	2,992,331
		3,746	1,808,805
		2,863	1,407,709
		5,000	1,792,748
		3,696	1,503,612
	Whipple and Moshotsky	1,432	200,052
	Willamette Industries	2,489	879,315
		6,306	2,173,219
		2,348	834,018
		5,568	1,903,073
		2,346	613,567
		5,513	1,455,858
		3,990	1,197,742
		2,424	674,438
		4,599	1,921,108
		1,779	622,984
		639	104,020
		4,228	1,165,330
		5,617	1,707,364
		3,764	1,330,704
		6,578	2,464,699
		5,071	1,443,408
		6,147	2,401,243
		2,451	648,645
		6,580	2,808,914
		5,327	2,146,183
		1,378	389,391
		3,621	1,506,798
		2,942	928,176
		9,653	3,201,225
		2,666	888,217
		1,564	502,220
		5,896	1,773,701
		6,008	2,284,803
		2,674	1,101,516
	Wilsonville Timber Company	1,399	456,315
	Wooley Enterprises	5,231	2,180,905

Wyoming

3 Purchasers - 3 Contracts - Total of 1,426 MBF remaining - This is all the information we have on Wyoming.

QUESTIONS SUBMITTED BY SENATOR HOWARD METZENBAUM

Safety of Dams

105. Question: The budget contains money for dam safety work on six projects. Is this part of your existing authorization? If so, how much money is left under that authorization?

Answer: The six new safety of dams projects in the fiscal year 1985 budget are included under the existing $100 million authorization ceiling.

Safety of dams obligations through fiscal year 1985 will total $61 million, of which, $33 million had been expended as of September 30, 1983. That leaves $39 million of the current ceiling available for future fiscal years, which is sufficient to complete work underway and proposed for fiscal year 1985, except for actual construction of the modifications to Jackson Lake Dam and Stewart Mountain Dam. Work on those two dams could not be initiated until additional appropriation ceilings were enacted.

The total estimated cost of the work authorized by the Reclamation Safety of Dams Act of 1978 and proposed in the fiscal year 1985 budget is $182 million. The current ceiling limits any new starts beyond fiscal year 1985 and limits completion of the work that is currently proposed. We estimate additional future needs on the order of $570 million for safety of dams corrective work.

106. Question: A major issue in the dam safety debate is that the delay in authorizing additional funds may create a national disaster in the form of a major dam failure. Obviously, no one wants a dam to fail. Would you identify any dams under your jurisdiction which you believe pose an imminent danger of failing. By imminent, I mean a high probability that absent immediate work, for which no funds are now available, the dam would fail.

Answer: Jackson Lake Dam and Fontenelle Dam in Wyoming pose an imminent danger of failing if their dam safety deficiencies are not corrected. Both dams are currently being operated under reduced reservoir operating levels to increase protection against failure while we complete studies to determine proper corrective action. Ochoco Dam, in Oregon, is another dam that could fail under normal loading conditions.

There are several other dams, like Theodore Roosevelt, Stewart Mountain, Horseshoe, and Bartlett Dams, that could overtop and fail if a hydrological event occurred that is somewhat less that the probable maximum flood.

107. Question: If a dam is on the verge of failing, do you have any flexibility to deal with that situation either through a reprogramming or some other means?

Answer: If a dam were on the verge of failing, we have the flexibility to deal with that situation as evidenced by our work on the San Luis Dam in California; however, the funding system within which we work does not generally provide an alternative unless there is a crisis situation.

QUESTIONS SUBMITTED BY SENATOR HOWARD METZENBAUM

Safety of Dams

108. **Question:** Do you support the amendment proposed by the administration in March 1983, with respect to repayment of dam safety repair costs? If not, why not?

Answer: In light of President Reagan's January 24, 1984, letter to Senator Paul Laxalt regarding cost-sharing in Federal water projects, the position of March 1983 with respect to repayment of dam safety repair costs is no longer appropriate.

The President's statement regarding the Federal cost of corrective work on Federal dams represents the recognition that the Federal Government is responsible for the dams it owns and also recognizes the devastating effect of dam failure upon human life and property as well as reduction in the supply of much needed water.

QUESTIONS SUBMITTED BY SENATOR BILL BRADLEY

Reciprocity under the Mineral Leasing Act

109. Question: Your January 30 letter to me seems to indicate there is no de-minimus exception to the Mineral Leasing Act of 1920. In other words, you appear to conclude that, as a matter of law, a corporation may not hold a mineral lease under the 1920 Act if even one share is held by a citizen of a non-reciprocal nation, such as Kuwait. Is there a correct interpretation of your letter?

Answer: Kuwait is the only country to date where a court has been asked to determine if it is "non-reciprocal" under section 1 of the Mineral Leasing Act of 1920. As stated in our earlier correspondence, there is now pending a lawsuit in which the sole issue is whether, under applicable U.S. and Kuwait laws, Kuwait is a non-reciprocal state. There is no "de-minimus" exception at issue in that suit.

In dealing with the reciprocity issue, we believe that it is necessary to distinguish, on the one hand, what may be a violation of section 181 and, on the other hand, what procedures have been followed for determining the likelihood of a violation. The series of four Solicitor opinions, as noted on page 2 of my letter to you on January 30, states a conclusion that "any stockholding, no matter how small, by a foreign citizen was subject to the reciprocity provision . . ." clearly the statute does not expressly provide for a de-minimus exemption. However, while the Department has never applied a de-minimus exemption, it has nevertheless recognized that questions of exemptions may have to be confronted in particular cases.

For the most part, my letter of January 30 states the history of the Department's effort to establish procedures pursuant to which the likelihood of a violation might be determined. On page 3 of the letter it is stated that the practice of the Department has been to issue leases upon ascertainment "that no disqualified foreign citizen owns more than 10 percent of the stock of" applicant corporations. However, in the event the Department learns of a prohibited ownership of 10 percent or less "we may not ignore it," and the matter would have to be referred for "review and direction" which might include a legislative referral. The Department has not foreclosed its options for dealing with the issue when presented. Those options would

include, in addition to a legislative referral, the alternative courses of action provided in section 27(h) of the 1920 Act. (30 U.S.C. §184(h).)

My letter of January 30 does not constitute either a recognition or rejection of a de-minimus exception rule. The letter is not to be interpreted, as is suggested, as taking the position that a corporation may not hold a mineral lease under the 1920 Act if even one share of corporate stock is held by a citizen of a non-reciprocal nation. Nor does the letter take the position that such a corporation may hold a mineral lease under the 1920 Act. We are not now ready to state how we would respond in the hypothetical circumstances posed by your questions.

110. Question: Your January 30 letter indicates that in 1982 the Department ceased requiring disclosure of foreign stockholders with regard to oil and gas leases, and instead began requiring a certification regarding foreign stockholders. Why did the Department decide to not require certification of the aggregate amount of stock held by aliens? Do you regard this as a substantial loophole?

Answer: The certification provision of the 1982 rules was intended to mirror the prior disclosure provision. The chief motive for the change was to remove a significant and nearly useless paperwork burden both from lessees and the Bureau.

The reason why the aggregate foreign citizenship certification was not included (to continue the prior comparable disclosure requirement) was our recognition that publicly traded companies do not know the citizenship of their stockholders (except major holders above certain SEC reporting thresholds). The corporations only know their stockholders' addresses. A foreign address may be a U.S. citizen abroad; an alien may reside in the U.S. Finally, beneficial ownership of shares in nominee name trustees and banks is unknown to the corporation. Recognizing these facts, certification of aggregate alien ownership was simply too uncertain to require under threat of criminal sanction for false reporting.

111. Question: The February 26, 1982 Federal Register notice announcing the change in the regulations states that "Selective audits will be performed to verify compliance." Have such audits been performed? If so, what have the audits shown?

Answer: The State Directors of the Bureau of Land Management have been authorized to conduct audits of holdings by interests of non-reciprocal nations and holdings in excess of acreage limits. The Bureau is working on an automated system. The State Directors have also been directed to investigate any companies or individuals holding or applying for leases who are suspected of having ties to non-reciprocal nations. The lease holdings of those companies known to be linked to Kuwait have been identified for appropriate action.

Moreover, manual qualifications audits of lessees of the approximately 150,000 current leases is not reasonably feasible. An audit system is being designed to make maximum use of available automated data processing (ADP) systems to minimize personnel costs.

112. Question: Why did the Department adopt the certification approach with respect to oil and gas and not with respect to coal or other minerals?

Answer: The sheer volume of the workload associated with oil and gas caused the Department to reduce the administrative burden placed on the Bureau to verify all documentations. While the system adopted for oil and gas could be applied to coal and other minerals, the volume of the workload for these other minerals does not approach that required for oil and gas. Therefore, we are concentrating our immediate efforts to reduce the oil and gas administrative workloads.

Questions Submitted By Senator J. Bennett Johnston

113. Question: Attached is a list of reports, studies, and/or plans due to be submitted to the Senate Committee on Energy and Natural Resources by the dates indicated. Please advise the Committee of the status of each. Please include a specific estimate of when you expect to transmit any information that may be delinquent.

Answer: The status of the reports, studies and/or plans are as follows:

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

Authorization of Appropriations

STATUS

PROGRAM OR ACTIVITY:

Authorization to appropriate funds for the acquisition of lands, waters, and interests therein for the Santa Monica Mountains National Recreation Area, California. (Section 507(r) of the National Parks and Recreation Act of 1978)

The authorization for appropriation of funds by specific year as cited in Section 507(r) was not accomplished. Of the total authorized, $125,000,000, there has been appropriated through the 1984 fiscal year $57,280,667. The fiscal year 1985 Budget Request includes $5,890,000 for Santa Monica Mountains NRA.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

92 Stat 3507

US CODE:

16 USC 460kk(r)

PUBLIC LAW NUMBER:

PL95-625

PUBLIC LAW APPROVED:

11/10/78

ORIGINATING LEGISLATION:

S. 791

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

Authorization of Appropriations

STATUS

Reauthorization has not been requested by the Department of Interior.

PROGRAM OR ACTIVITY:

Authorization to appropriate funds for the survey and preservation by the Secretary of the Interior of significant scientific, prehistorical, or archeological data threatened with loss or destruction by a Federal or federally-licensed project or activity. (Section 7 of the Act of June 27, 1960, Pub. L. 86-523, 74 Stat. 220, as amended by section 803 of the National Parks and Recreation Act of 1970)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

92 Stat 3510

US CODE:

16 USC 469c

PUBLIC LAW NUMBER:

PL95-626

PUBLIC LAW APPROVED:

11/10/78

ORIGINATING LEGISLATION:

S. 791

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

Authorization of Appropriations

PROGRAM OR ACTIVITY:

Authorization to appropriate funds for the urban park and recreation recovery program. (Section 1013 of the Urban Park and Recreation Recovery Act of 1970, Title X of the National Parks and Recreation Act of 1970)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

92 Stat 3544

US CODE:

16 USC 2512

PUBLIC LAW NUMBER:

PL95-625

PUBLIC LAW APPROVED:

11/10/78

ORIGINATING LEGISLATION:

S. 791

STATUS

Appropriations to date for the Urban Park program total $185.3 million. The Administration proposes no additional funding for this program. Therefore, no extension of current appropriations authority will be requested by the Department.

In compliance with section 1015 of the Urban Park and Recreation Recovery Act, a report on the overall impact of the grants program is in preparation and will be transmitted to Congress.

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

One-time Report

PROGRAM OR ACTIVITY:

Deadline for the Secretary of the Interior to submit to the House Committee on Interior and Insular Affairs and the Senate Committee on Energy and Natural Resources a comprehensive general management plan for the Channel Islands National Park, California. (Section 204(c)(1) of the Act of March 5, 1980, Pub. L. 96-199, 94 Stat. 67)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

94 Stat 78

PUBLIC LAW NUMBER:

PL96-199

PUBLIC LAW APPROVED:

03/05/80

ORIGINATING LEGISLATION:

H.R. 3757

STATUS: The general management plan for Channel Islands National Park has been delayed due the planning team's inability to gain access to two privately owned islands;i.e.: Santa Cruz and Santa Rosa as scheduled at the beginning of the study to gain basic information on the resources. Target date for completion and submittal to the Committees, October 1984.

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1003

TYPE OF PROGRAM:

One-time Report

STATUS

PROGRAM OR ACTIVITY:

Deadline for the Secretary of the Interior to submit to the President recommendations as to the suitability or nonsuitability of any area within the Channel Islands National Park, California for designation as wilderness. (Section 208 of the Act of March 5, 1980, Pub. L. 96-199, 04 Stat. 07)

Study will be undertaken when extensive private lands within park are acquired. Currently appraisals are being completed for these lands. No funds in current budget for acquisition. Until these lands are acquired, a recommendation of suitability or nonsuitability of any area within the park for designation as wilderness cannot be completed.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 77

US CODE:

16 USC 410ff-6

PUBLIC LAW NUMBER:

PL96-199

PUBLIC LAW APPROVED:

03/05/80

ORIGINATING LEGISLATION:

H.R. 3757

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:	TYPE OF PROGRAM:	STATUS
September 30, 1983	Program Requirement	

PROGRAM OR ACTIVITY:

Deadline for the substantial completion of the land acquisition program for the Biscayne National Park by the Secretary of the Interior. (Section 102(b) of the Act of June 20, 1980, Pub. L. 96-207, 94 Stat. 699)

STATUS

There is available for land acquisition the sum of $5,723,887 as of December 31, 1983. Acquisition is in progress.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:	US CODE:
94 Stat 699	16 USC 410gg-1
PUBLIC LAW NUMBER:	**PUBLIC LAW APPROVED:**
PL96-207	06/20/80

ORIGINATING LEGISLATION:

H.R. 6920

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

One-time Report

STATUS

PROGRAM OR ACTIVITY:

Deadline for review and report by the Secretary of the Interior to the President and Congress as to suitability of any area within the Biscayne National Park for designation as wilderness. (Section 104 of the Act of June 28, 1980, Pub. L. 96-207, 94 Stat. 609)

Suitability report has been completed and is under review by the Department preparatory to submittal to the President. Report proposes no wilderness designation.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

94 Stat 600

US CODE:

16 USC 410gg-3

PUBLIC LAW NUMBER:

PL96-207

PUBLIC LAW APPROVED:

96/28/80

ORIGINATING LEGISLATION:

H.R. 6926

326

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

One-time Report

PROGRAM OR ACTIVITY:

Deadline for development and transmission of a comprehensive general management plan for Fort Jefferson National Monument by the Secretary of the Interior to the House Committee on Interior and Insular Affairs and the Senate Committee on Energy and Natural Resources. (Section 202 of the Act of June 20, 1980, Pub. L. 96-207, 94 Stat. 699)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

94 Stat 701

US CODE:

16 USC 1a-7

PUBLIC LAW NUMBER:

PL96-207

PUBLIC LAW APPROVED:

06/20/80

ORIGINATING LEGISLATION:

H.R. 6920

STUATUS: The general management plan for Fort Jefferson NM was approved by the National Park Service Regional Office September 29, 1983. Due to funding constraints the plan was not printed. The plan has now been printed and will be forwarded to the Committees once it has been received and reviewed in the Washington Office of the National Park Service and the Department. Target date for submission: March, 1984.

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1993

TYPE OF PROGRAM:

Program Requirement

PROGRAM OR ACTIVITY:

Date by which the Secretary of the Interior shall acquire certain property for the Manassas National Park Battlefield Park. (Act of April 17, 1954, Pub. L. 83-330, 68 Stat. 60, as amended by section 2 of the Manassas National Battlefield Park Amendments of 1980)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

94 Stat 1007

US CODE:

16 USC 429b-4

PUBLIC LAW NUMBER:

PL96-442

PUBLIC LAW APPROVED:

10/13/80

ORIGINATING LEGISLATION:

H.R. 6040

STATUS

Of the $8,700,000 authorized to be appropriated for land acquisition, $3,000,000 has been appropriated, and is available for obligation, and $2,500,000 is being requested in fiscal year 1985. A land protection plan setting forth the interests to be acquired and the priority of acquisition was approved September 18, 1983. Work preliminary to acquisition is being accomplished. The funds available in fiscal year 1984 will be obligated during the fiscal year.

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

One-time Report

PROGRAM OR ACTIVITY:

Date by which the Secretary of the Interior shall transmit a report to the appropriate Senate and House committees concerning the protection and use of DeKorte State Park. (Section 3 of the Manassas National Battlefield Park Amendments of 1980)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 1007

US CODE:

16 USC 400cc

PUBLIC LAW NUMBER:

PL96-442

PUBLIC LAW APPROVED:

10/13/80

ORIGINATING LEGISLATION:

H.R. 6040

STATUS: The National Park Service's study for the DeKorte State Park in New Jersey was submitted to the Honorable Morris K. Udall and James A. McClure for consideration on January 21, 1983.

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

Progress Requirement

PROGRAM OR ACTIVITY:

Deadline for the purchase of specified lands in Colorado by the Secretary of the Interior, such lands being subject to reversion within the boundary of Rocky Mountain National Park) (Section 1111(e) of the Colorado Wilderness Act of 1980)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

94 Stat 3272

PUBLIC LAW NUMBER:

PL96-560

PUBLIC LAW APPROVED:

12/22/80

ORIGINATING LEGISLATION:

H.R. 6407

STATUS

The Act of December 22, 1980, states that if the Secretary of Interior has not acquired approximately 1,200 acres comprising the Old McGregor Ranch on or before October 1, 1983, the owner of the ranch may petition the Secretary to delete the property from the boundary of Rocky Mountain National Park. The McGregor Ranch was acquired on September 30, 1983.

TERMINATING PROGRAMS AND ACTIVITIES.

TERMINATING OR DUE DATE:
September 30, 1983

TYPE OF PROGRAM:
Authorization of Appropriations

PROGRAM OR ACTIVITY:
Authorization of appropriations for the disposal of certain Federal lands in Clark County, Nevada and for the acquisition of lands in the Lake Tahoe Basin. (Section 3(g) of the Act of December 23, 1980, Pub. L. 96-600, 94 Stat. 3381)

COMMITTEE:
House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:
House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:
Department of the Interior

STATUTES-AT-LARGE:
94 Stat 3305

PUBLIC LAW NUMBER:
PL96-600

PUBLIC LAW APPROVED:
12/23/80

ORIGINATING LEGISLATION:
H.R. 7308

STATUS:

Following is a table showing annual receipts from sale of land under Public Law 96-586.

	FY 1982	FY 1983	1st Qtr. FY 1984	Total
Total Receipts	472,320	4,963,510	1,013,020	6,448,850
15% Annual Distribution to State and Local Gov'ts	17,640	58,500	893,833	969,973
Net Balance - General Fund of Treasury	454,680	4,905,010	119,186	5,478,876

1/ Payments to States on Calendar Year Basis

2/ To be transferred to Land and Water Conservation Fund

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

October 10, 1983

TYPE OF PROGRAM:

Program Requirement

PROGRAM OR ACTIVITY:

Target date for the completion of the exchange of bidding rights for the private lands or interest authorized by the Rattlesnake National Recreation Area and Wilderness Act of 1980. (Section 4(b)(4) of the Rattlesnake National Area and Wilderness Act of 1980)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 2273

US CODE:

16 USC 460 ll-3

PUBLIC LAW NUMBER:

PL96-470

PUBLIC LAW APPROVED:

10/10/80

ORIGINATING LEGISLATION:

S. 3072

STATUS:

This program requirement was completed on November 19, 1983 with the issuance of a Certificate of Bidding Rights under the authority of, and in compliance with, the Rattlesnake National Recreation Area and Wilderness Act of 1980 as amended by Section 7 of the Lee Metcalf Wilderness and Management Act of 1983.

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

October 10, 1993

TYPE OF PROGRAM:

Program Requirement

PROGRAM OR ACTIVITY:

Target date for the acquisition of non-Federal lands for the Rattlesnake Wilderness Area. (Section 4(d)(1) of the Rattlesnake National Area and Wilderness Act of 1980)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 2273

US CODE

16 USC 460 11-3

PUBLIC LAW NUMBER:

PL98-470

PUBLIC LAW APPROVED:

10/10/80

ORIGINATING LEGISLATION:

S. 3072

STATUS:

This program requirement was completed on November 19, 1983 with the issuance of a Certificate of Bidding Rights under the authority of, and in compliance with, the Rattlesnake National Recreation Area and Wilderness Act of 1980 as amended by Section 7 of the Lee Metcalf Wilderness and Management Act of 1983.

35-235 O - 84 - 22

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

One-time Report

STATUS

PROGRAM OR ACTIVITY:

Date by which the Secretary of the Interior must transmit a report of his investigation of archeological sites illustrating the prehistoric Hopewellian civilization of the Eastern United States to the Committees on Interior and Insular Affairs and Energy and Natural Resources. (Section 701(a) of the Act of December 20, 1980, Pub. L. 96-887, 94 Stat. 3539)

The Midwest Regional Office of the National Park Service has undertaken the study to be completed in fiscal 1984.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 3541

PUBLIC LAW NUMBER:

PL96-887

PUBLIC LAW APPROVED:

12/20/80

ORIGINATING LEGISLATION:

H.R. 2363

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

October 1, 1983*

TYPE OF PROGRAM:

One-time Report

STATUS

PROGRAM OR ACTIVITY:

Due date of a comprehensive general management plan for the Martin Luther King, Junior, National Historic Site and Preservation District. (Section 8 of the Act of October 10, 1980, Pub. L. 96-428, 94 Stat. 1039)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 1043

PUBLIC LAW NUMBER:

PL96-428

PUBLIC LAW APPROVED:

10/10/80

ORIGINATING LEGISLATION:

H.R. 7210

Section 8 of the enabling legislation directs the Secretary of the Interior to "submit to the Committee on ... a comprehensive general management plan ... by September 30, 1984". The plan is currently underway. Target date for completion and submission to the Congress September 1984.

*The termination or due date noted on this page is inaccurate. The correct date is noted above.

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

December 1, 1984

TYPE OF PROGRAM:

One-time Report

PROGRAM OR ACTIVITY:

Due date for a report by the Secretary of the Interior and the Alaska Land Use Council on the resources of the Kantishna Hills and Dunkle Mine areas of the Mount McKinley National Park. (Section 202(3)(b) of the Alaska National Interest Lands Conservation Act)

STATUS: LATEST SCHEDULE CALLS FOR COMPLETION IN MAY 1984

COMMITTEE:

House Interior and Insular Affairs
House Merchant Marine and Fisheries
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Fisheries and Wildlife Conservation and the Environment

ORGANIZATION:

Alaska Land Use Council
Department of the Interior

STATUTES-AT-LARGE:

94 Stat 2303

US CODE:

16 USC 410hh-1

PUBLIC LAW NUMBER:

PL96-487

PUBLIC LAW APPROVED:

12/02/80

ORIGINATING LEGISLATION:

H.R. 39

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

One-time Report

Status

Department of Interior submitted report to the Office of Management and Budget on December 5, 1983.

PROGRAM OR ACTIVITY:

Due date for a report by the Secretary of the Interior, in consultation with the Secretary of Transportation, on strategies for public access to the Indiana Dunes Lakeshore Area. (Section 21(g) of the Act of November 5, 1966, Pub. L. 89-761, 80 Stat. 1309, as added by the Act of December 28, 1980, Pub. L. 96-612, 94 Stat. 3577)

COMMITTEE:

House Agriculture
House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Forest, Family Farms, and Energy
House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 3577

US CODE:

16 USC 460u-21

PUBLIC LAW NUMBER:

PL96-612

PUBLIC LAW APPROVED:

12/28/80

ORIGINATING LEGISLATION:

S. 2281

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

December 2, 1983

TYPE OF PROGRAM:

Program Requirement

STATUS: See the attached.

PROGRAM OR ACTIVITY:

Date by which the Secretary of the Interior shall prepare plans for not less than five wildlife refuges within Alaska. (Section 304(g)(8)(A) of the Alaska National Interest Lands Conservation Act)

COMMITTEE:

House Interior and Insular Affairs
~~House Merchant Marine and Fisheries~~
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Fisheries and Wildlife Conservation and the Environment

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

94 Stat 2396

PUBLIC LAW NUMBER:

PL96-487

PUBLIC LAW APPROVED:

12/02/80

ORIGINATING LEGISLATION:

H.R. 39

338

Plans to Be Submitted to the Senate Committee on Energy and Natural Resources

Question: What is the date by which the Secretary of the Interior shall prepare plans for not less than five wildlife refuges within Alaska? (Section 304(g)(b)(A) of the Alaska National Interest Lands Conservation Act)

Answer: Section 304(g) of ANILCA requires that the Secretary shall prepare plans for not less than five refuges within three years of enactment of the Act (i.e., by December 1983). The first five refuges scheduled for planning are the Kenai National Wildlife Refuge and four refuges located in the Bristol Bay Region: Becharof, Alaska Peninsula, Izembek and Togiak National Wildlife Refuges. The draft Kenai plan was made available for 60-day public review and comment on February 1, 1984. Three public meetings and one public hearing are scheduled during February and March. The final plan is scheduled for completion by September 1984. Anticipated completion dates for draft and final plans for the other four refuges are as follows:

Refuge	Draft Plan Available	Final Plan Completed
Becharof	April 1984	November 1984
Alaska Peninsula	August 1984	March 1985
Izembek	August 1984	March 1985
Togiak	October 1984	May 1985

Question: What is the deadline for the Secretary of the Interior to prepare and submit to Congress a comprehensive and systematic cooperative management plan for the development and conservation of lands in the Bristol Bay Cooperative Region of Alaska, if the State does not participate in the development of such plan. (Section 1203(d) of the Alaska National Interest Lands Conservation Act)

Answer: If the State of Alaska were not participating in developing a plan for the Bristol Bay Region, the Secretary would be required under Section 1203(d) of ANILCA to prepare a plan within three years of enactment of the Act (i.e., by December 1983). Since the State is participating in development of the Bristol Bay Cooperative Management Plan, ANILCA provides under section 1203(e), that the plan will take effect when completed if it is prepared within three years of enactment and signed by the Secretary and Governor. The Department of Natural Resources is the State lead agency in developing the plan, and the U.S. Fish and Wildlife Service is the Federal lead agency. Various other State and Federal agencies, several local agencies and Native interests are also involved in plan development. The draft plan was made available for 60-day public review and comment on July 22, 1983. Thirty-three public meetings and two public hearings were held throughout the region during August. At the request of the Alaska Resource Development Council, the comment period was extended 30 days and finally closed October 20, 1983. Preparation of the SID is now in progress. The final plan is expected to be submitted to the Governor of Alaska and the Secretary of the Interior for signature by March 15, 1984.

TERMINATING OR DUE DATE:

December 2, 1983

TYPE OF PROGRAM:

One-time Report

STATUS:

The Alaska Land Use Council forwarded the report to the Secretary of the Interior on November 8 for submission to Congress. It is still pending in the Department.

PROGRAM OR ACTIVITY:

Deadline for the Secretary of the Interior to report to the President on the results of a study on the desirability of establishing a Denali Scenic Highway. (Section 1311(d) of the Alaska National Interest Lands Conservation Act)

COMMITTEE:

House Interior and Insular Affairs
House Merchant Marine and Fisheries
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Fisheries and Wildlife Conservation and the Environment

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

94 Stat 2402

US CODE:

16 USC 3200

PUBLIC LAW NUMBER:

PL96-407

PUBLIC LAW APPROVED:

12/02/80

ORIGINATING LEGISLATION:

H.R. 39

00

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

January 1, 1984

TYPE OF PROGRAM:

Progress Requirement

PROGRAM OR ACTIVITY:

Due date for the submission of a general management plan for Wolf Trap Farm Park to the Committee on Interior and Insular Affairs and the Committee on Energy and Natural Resources. (The Act of October 14, 1982, Pub. L. 97-318, 96 Stat.)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

ORGANIZATION:

Department of the Interior

US CODE:

16 USC 284

PUBLIC LAW NUMBER:

PL97-318

PUBLIC LAW APPROVED:

10/14/82

ORIGINATING LEGISLATION:

H.R. 7293

STATUS: The legislative requirement for Wolf Farm Park is for a general management plan due to Congress January 1, 1984. The plan has been delayed due to funding questions. The draft will be on public review on or around March 15, 1984. Target date for completion is scheduled for June 1984; for submission to the Committees: August 1984

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:	TYPE OF PROGRAM:	STATUS
January 1, 1984	Recurring Report	

PROGRAM OR ACTIVITY:

Due date for an annual progress report on a study of the phasing out of grazing privileges at Capitol Reef National Park. (Section 2 of the Act of October 18, 1982, Pub. L. 97-341, 96 Stat. 1639)

Report was submitted to both Committees on December 29, 1983.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
Senate Public Lands and Reserved Water

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:	US CODE:
96 Stat 1639	16 USC 273b note
PUBLIC LAW NUMBER:	PUBLIC LAW APPROVED:
PL97-341	10/18/82

ORIGINATING LEGISLATION:

S. 1072

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

December 31, 1983

TYPE OF PROGRAM:

Program Authority

PROGRAM OR ACTIVITY:

Expiration, with specified exceptions, of the period during which certain motorboats, snowmobiles, and other motorpowered vehicles may be used in designated portions of the Boundary Waters Canoe Area Wilderness. (Section 4 of the Act of October 21, 1978, Pub. L. 95-495, 92 Stat. 1650)

STATUS:

This is not a National Park Service area. Data should be obtained from the Forest Service.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House Public Lands and National Parks
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

Department of the Interior

STATUTES-AT-LARGE:

92 Stat 1650

PUBLIC LAW NUMBER:

PL95-495

PUBLIC LAW APPROVED:

10/21/78

ORIGINATING LEGISLATION:

H.R. 12250

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

Authorization of Appropriations

STATUS:

Information should be requested from the Pennsylvania Avenue Development Corporation.

PROGRAM OR ACTIVITY:

Authorization of appropriations for the Pennsylvania Avenue Development Corporation. Extended from September 30, 1970. (Section 101 of the Act of November 10, 1970, Pub. L. 00-620, 02 Stat. 3635)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

ORGANIZATION:

Pennsylvania Avenue Development Corporation
District of Columbia

STATUTES-AT-LARGE:

02 Stat 3630

US CODE:

40 USC 885

PUBLIC LAW NUMBER:

PL95-629

PUBLIC LAW APPROVED:

11/10/70

ORIGINATING LEGISLATION:

S. 1029

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1003

TYPE OF PROGRAM:

One-time Report

PROGRAM OR ACTIVITY:

Deadline for review and report by the Secretary of the Interior to the President and the Congress on areas within Fort Jefferson National Monument suitable for designation as Wilderness. (Section 203 of the Act of June 20, 1000, Pub. L. 00-207, 04 Stat. 699)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

04 Stat 601

US CODE:

10 USC 1132

PUBLIC LAW NUMBER:

PL06-207

PUBLIC LAW APPROVED:

00/20/00

ORIGINATING LEGISLATION:

H.R. 6920

STATUS

Pending completion of ongoing negotiations with the State of Florida resulting from authorized expansion of the monument boundar; the wilderness suitability study will be initiated.

TERMINATING PROGRAMS AND ACTIVITIES

MINATING OR DUE DATE:

August 10, 1983

TYPE OF PROGRAM:

Study

OGRAM OR ACTIVITY:

Deadline for the Secretary of the Interior, through the Director of the National Park Service, to transmit to Congress a study of areas and sites associated with the campaign in the Pacific during World War II as possible additions to the War in the Pacific National Historical Park. (Section 8 of the Act of August 10, 1970, Pub. L. 95-348, 92 Stat. 493)

STATUS:

The study is anticipated to be completed in the fall of 1984.

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs
Senate Parks, Recreation and Renewable Resources

ORGANIZATION:

National Park Service
Department of the Interior

STATUTES-AT-LARGE:

92 Stat 493

US CODE:

16 USC 410cc

PUBLIC LAW NUMBER:

PL95-348

PUBLIC LAW APPROVED:

08/18/78

ORIGINATING LEGISLATION:

S. 2021

TERMINATING PROGRAMS AND ACTIVITIES

TERMINATING OR DUE DATE:

September 30, 1983

TYPE OF PROGRAM:

Authorization of Appropriations

PROGRAM OR ACTIVITY:

Authorization to appropriate funds for the Advisory Council on Historic Preservation. Extended from September 30, 1980. (Section 212 of the Act of October 15, 1966, Pub. L. 89-614, 80 Stat. 915, as amended by Section 2 of the Act of May 10, 1980, Pub. L. 96-244, 94 Stat. 340)

COMMITTEE:

House Interior and Insular Affairs
Senate Energy and Natural Resources

SUBCOMMITTEE:

House National Parks and Insular Affairs

ORGANIZATION:

Advisory Council on Historic Preservation

STATUTES-AT-LARGE:

94 Stat 340

US CODE:

16 USC 470t

PUBLIC LAW NUMBER:

PL96-244

PUBLIC LAW APPROVED:

05/10/80

ORIGINATING LEGISLATION:

H.R. 120

STATUS:

This is not an NPS program. Data should be obtained from the Advisory Council on Historic Preservation.

ANSWERS TO QUESTIONS REGARDING
TERRITORIAL AFFAIRS

1) Your statement indicates that the Administration plans to forward the Compacts of Free Association "to the United Nations Security Council for approval on behalf of the FSM and the Marshall Islands".

a) Your statement does not mention the Northern Mariana Islands. Have you decided not to submit the Covenant to the U.N.?

ANSWER:

The United States regards the approval of the Covenant by the people of the Northern Mariana Islands as a valid act of self-determination which provides the basis for termination of the Trusteeship with respect to the Northern Mariana Islands. The United States intends to take up the matter of termination of the Trusteeship with the United Nations at the appropriate time. Procedures and timing for termination have not yet been determined.

b) In previous hearings we were assured that the question of the role of the U.N. would be discussed with the Congress. When do you propose to initiate those discussions?

ANSWER:

Officials from the Department of Defense, the Department of State, and the Department of the Interior will continue to consult with the Congress as the Compact is reviewed and questions regarding the United Nations are explored. Counselor Derwinski and Ambassador Zeder have already begun these consultations, and I assure you that we are eager to continue to seek the advice of the members of this Committee.

c) Your statement implies simultaneous submission to the U. N. and the Congress. Is that your intent? What would be the effect of U. N. approval prior to Congressional consideration?

ANSWER:

I did not intend to imply simultaneous submission of the Compact to both the United States Congress and the United Nations, and I strongly believe that the United States Congress must act on the Compact before the United States takes up the matter of termination with the United Nations.

d) Is the Administration advocating piecemeal termination and, if so, how does that compare with previous U. S. positions at the U. N. on other trusteeship or mandate areas when the question arose?

ANSWER:

The Administration is eager to fulfill its obligations under the Trusteeship Agreement, and we believe that when three governments of the Trust Territory have so clearly expressed their political desires, the United States should do what it can to facilitate the establishment of new political relationships that are mutually acceptable. It may not be necessary at this time to seek, or even to consider, piecemeal termination. It is necessary, however, to implement the Compact as quickly as possible.

e) What is there in the proposed Compact which could not be fully implemented within the administrative authority of the Trusteeship Agreement?

ANSWER:

I am not aware of any Compact provisions that cannot be implemented by statute under the authority that is currently vested in the United States under the Trusteeship Agreement.

2) Your budget submission does not include any funds for the carry-over deficits in the Trust Territory, prior service benefits, or a variety of other transition issues. Do you propose that these not be funded?

ANSWER:

The Department of the Interior budget provides for all of our on-going responsibilities under the Trusteeship Agreement for the fiscal year 1985. The 1985 Prior Service Benefits payments, required by the Trust Territory Code, are, therefore, contained in our budget request. After the Compact is approved, payments under this program, if it is continued by the freely associated states, will be the responsibility of the freely associated states. Compact funding could be used for that purpose and other purposes, and the history of the negotiations makes it clear that the United States does not intend to assume responsibility for such programs after the Compact of Free Association becomes effective. We are, however, reviewing the problem posed by the deficits accumulated in part during the period prior to the establishment of constitutional governments.

3) Your budget submission includes funds for capital relocations in the Trust Territory. The submission indicates that the commitment to fund this construction was made in 1975. What A/E work was done prior to developing the funding level?

ANSWER:

The level of the United States contribution to be requested for the relocation of capitals in Micronesia was discussed with Micronesian leaders and established by High Commissioner Winkel in 1980, with the approval of the Department of the Interior and the Office of Management and Budget. At that time, very little architectural and engineering work had been completed, although the Federated States of Micronesia had developed a completed master plan for facilities at Palikir. At the time of the original commitment, November 4, 1975, no architectural and engineering work had been performed, and it was anticipated that only one capital would be constructed for Micronesia outside of the Northern Marianas.

a) Precisely what construction will be accomplished in Ponape with the funds requested?

ANSWER:

The funds requested will be a contribution to the construction of the FSM national government's executive, judicial and legislative office complex. Furthermore, current architectural and engineering planning calls for housing for the President, Vice President, and Chief Justice. In addition, a new College of Micronesia campus is included, as are water and sewer systems. It should be noted that current FSM cost estimates show that $11 million in FSM funds will be required for completion of the project.

4) Both the GAO and the Inspector General have noted grave deficiencies in the ability of the Micronesian governments to administer programs and manage grants. Do you plan to continue your technical assistance in these areas or do you propose to terminate your program upon Compact approval?

ANSWER:

Our technical assistance authorization does not contemplate assistance to those Micronesian governments that cease to be a part of the Trust Territory. The Compact of Free Association does not mandate continued technical assistance. Such assistance, however, could be extended to a freely associated state if the United States and the freely associated state mutually agree to the extension.

5) Precisely what date do you propose for transfer of your functions over the FSM and the Marshalls to State?

ANSWER:

Plans for any such transfer have not been adopted and, therefore, no date has been proposed.

a) Do you feel that the Assistant Secretary for Territorial and International Affairs and his office are not capable of administering the present program and grant activities to the Trust Territory?

ANSWER:

On the contrary, we believe the record shows that the office of the Assistant Secretary for Territorial and International Affiars is administering existing programs and grant activity in the Trust Territory quite capably.

b) Do you feel that the office is incapable of providing the more limited assistance proposed under the Compact?

ANSWER:

We do not question the proven capability of the office.

c) Do you feel that the coordination of U.S. interests and the needs of local governments in the Pacific is enhanced by separating the Federated States and the Marshalls from Palau until a status agreement is reached with Palau and eventually for all three from Guam, the Northern Marianas, and Samoa?

ANSWER:

There may be administrative reasons for dealing with Palau separately from governments that are under the Compact of Free Association. As the Committee knows, the political status of each United States territory is quite unique, and yet all of them (except Puerto Rico) are dealt with by the Office of the Assistant Secretary for Territorial and International Affairs. Until Palau has embarked on a course toward a mutually acceptable political status, it is appropriate to deal with Palau under the Trusteeship Agreement, and, I think, under the auspices of the Department of the Interior, which has performed its trusteeship duties quite well. I also believe that the Department of the Interior has been able to deal with the unique status of the United States territories effectively, in a way that strengthens the Federal-territorial relationship.

d) Upon completion of this proposed dismantling of the Office of the Assistant Secretary by transferring the FSM, Marshall Islands, and Palau to the Department of State, do you plan to retain the position of Assistant Secretary for Territorial and International Affairs for only Guam, the Marianas, Samoa, and the Virgin Islands?

ANSWER:

There are no current plans to abolish the Office of the Assistant Secretary for Territorial and International Affairs.

6) The Appropriations Committee directed the Department to prepare a comprehensive report on the Virgin Islands Water and Power system. When can we expect to see that report?

ANSWER:

The water portion of the study has been completed and is under review in the Office of Territorial and International Affairs. The power portion of the study is underway with Departmental experts being sent to review and update the Virgin Islands power plan. TIA and Virgin Islands personnel, with assistance from consultants, will finalize the financial options portion of the study. By May 1984, we expect to have in hand the completed water and power portions of the study along with a preliminary draft of the financial options portion.

PROPOSED FISCAL YEAR 1985 BUDGET REQUEST

WEDNESDAY, FEBRUARY 8, 1984

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C.

The committee met, pursuant to notice, at 11:03 a.m., in room SD-366, Dirksen Office Building, Hon. James A. McClure, chairman, presiding.

Present: Senators McClure, Domenici, Warner, Nickles, Hecht, Heinz, Evans, Johnston, Bumpers, Melcher, and Bradley.

Also present: Richard D. Grundy, budget officer; Paul Gilman, professional staff member; D. Michael Harvey, chief counsel for the minority; Benjamin S. Cooper, professional staff member for the minority; James T. Bruce, counsel for the minority; and Elizabeth Moler, counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. Good morning. Yesterday the Committee on Energy and Natural Resources began the series of hearings on the President's proposed fiscal year 1985 budgets for programs under our jurisdiction.

This morning we will receive testimony from Secretary Hodel on behalf of the Department of Energy. Tomorrow we will conclude with testimony from the Federal Energy Regulatory Commission, the Synthetic Fuels Corp., and the Forest Service.

Over the last 3 years we have been successful in restructuring Federal energy programs to emphasize development of domestic resources, as opposed to reliance on imported oil. This has involved a series of difficult choices with significant national, as well as international, energy policy implications which affect not only our daily lives, but our national security.

There are, of course, differing ideas on which energy programs should receive emphasis. What I am pleased to see, however, is that the administration proposes to continue many programs over which there has been disagreement with the Congress in recent times. Programs concerning energy conservation, fossil energy, and renewable resources come to mind.

What I am concerned about, however, is the continuing debate between the Congress and the administration on what is an appropriate fill-rate for the Strategic Petroleum Reserve. There is general agreement between the Congress and the administration on the need to strengthen the U.S. energy emergency preparedness. When enacting the Interior Appropriations Act for 1984, the Congress

made available $650 million for oil acquisition with the stipulation that the average daily fill rate in fiscal year 1984 shall be no less than the 186,000 barrels per day.

At this fill-rate, it was anticipated that the existing permanent storage would be nearly full at the end of fiscal year 1984. The Appropriations Conference Report states that, the conferees' expectation that a similar fill rate would be followed in fiscal year 1985. However, the budget from the administration proposes to return in fiscal year 1985 to their earlier recommendation of 145,000 barrels per day.

I am sure the reasons for that decision will be discussed today.

We must not lose sight of the seriousness of the energy challenge facing our country and its implications for national security. As Secretary Clark noted yesterday, development of domestic energy resources is extremely important to the future of America. Stories proclaiming a world oil glut should not disguise the fact that our daily oil imports have surged after a low last February and March and now stand at 5.3 million barrels per day, or about one-third of domestic consumption, and I note parenthetically that that is about where we were in 1973.

We also must remain sensitive to the continuing high dependence of the industrialized free world on oil imports, as well as the dramatic negative economic impact that oil import dependence is having on the economies of the lesser developed countries.

Secretary Hodel, I welcome you to the committee again this morning, and I wish to commend you for the job which you have done during the last year. I think the cooperation between the Congress and the Department, the dialog, the opportunity for discussion, has been outstanding.

Before I call upon you for your statement, I would like to defer to other members of the committee who may wish to make a statement at this time.

Senator Evans. Senator Hecht. Senator Warner.

Senator WARNER. No opening statement.

The CHAIRMAN. With that, Mr. Secretary, if you would come to the table? We can either file your statement in full for the record, you can deliver it, or you can summarize it and hit the high points, in whatever manner you wish to proceed.

Secretary HODEL. Mr. Chairman, with your permission I would like to submit my rather lengthy statement for the record.

The CHAIRMAN. Mr. Speaker, it will be placed in the record in full. full.

Secretary HODEL. I also, in preparing for this hearing, found that I had a rather lengthy summary of my opening statement, and rather than placing that in the record, I think probably I should just highlight a couple of points and then try to respond to questions.

The CHAIRMAN. Surely.

[The full statement of Secretary Hodel follows:]

Statement of Donald Paul Hodel
Secretary of Energy
FY 1985 Budget Overview

Mr. Chairman and Members of the Committee, I appreciate the opportunity to present you with the FY 1985 budget of the Department of Energy. This budget strongly supports the Department's responsibilities in its three mission areas: Energy, General Science, and National Defense. The budget for energy programs was developed in concert with the fourth National Energy Policy Plan, published in October 1983, and fully supports the goals and strategies set forth in that document. For that reason, a summary of the Plan is a useful way to begin a discussion of the FY 1985 budget.

NATIONAL ENERGY POLICY AND STRATEGIES

The overall goal of national energy policy is to foster an adequate supply of energy at reasonable costs. The policy recognizes that "adequate supply" requires flexibility in the energy system, with no undue reliance on any single source of supply. The goal of "reasonable costs" suggests economic efficiency within the energy system, so that energy consumers; individuals, and commercial and industrial users alike; are not penalized by economic rigidities introduced into the system by ill-advised governmental regulation.

The strategies for achieving this energy policy goal are:

- To minimize Federal control and involvement in energy markets while maintaining public health and safety and environmental quality.

- To promote a balanced and mixed energy resource system.

The implementation of these strategies is evident in both the Department's legislative program and the FY 1985 budget. Legislatively, the Administration attaches the highest priority to removing controls on wellhead prices of natural gas. The current system of price regulation distorts the allocation of this vital energy source and prevents energy consumers from enjoying the benefits of competition. A second major legislative initiative seeks to reform the nuclear licensing and regulatory process. Nuclear regulatory reform will improve nuclear safety and bring greater rationality, predictability, and stability to the nuclear licensing process. Through these initiatives, two major components of the Nation's energy supply, natural gas and nuclear power, will be free to contribute to the energy economy by not being subject to distortions introduced by unnecessary regulation.

The FY 1985 budget implements the strategy by supporting development of a mix of technologies that can contribute to energy supply and end-use energy efficiency. In allocating our resources, we are concentrating on applying Federal funds only where they are most effective; in sponsoring longer-term, high-risk research and development where the potential payoff is high but which private industry cannot be expected to pursue. The budget continues this Administration's policy against funding commercialization activities which are the proper province of the private sector.

DEPARTMENTAL ORGANIZATION

To further our progress in implementing the National Energy Policy Plan and improve management of our national security programs, I realigned certain management responsibilities within the Department in late January. No functions were eliminated by this reorganization, but our ability to manage certain critical programs was strengthened.

The most significant change involves the transfer of all functions previously under the Assistant Secretary for Environmental Protection, Safety, and Emergency Preparedness to other organizational elements. Emergency preparedness planning and operations are now the responsibility of the Assistant Secretary for International Affairs and Energy Emergencies, reflecting the close relationship between emergency planning and international energy security. Environmental policy and oversight and responsibilities for nuclear facility and operational safety goes to a new Assistant Secretary for Policy, Safety, and Environment. This ensures closer integration of environmental and safety policy with overall energy policy development and elevates policy development activities to the level of Assistant Secretary. Environmental research and development remain the responsibility of the Director of Energy Research. Management of the Strategic Petroleum Reserve and the Naval Petroleum and Oil Shale Reserves is transferred to the Assistant Secretary for Fossil Energy, thus centralizing the responsibility for all fossil resource management and research and development.

Mr. Jan Mares, who was Assistant Secretary for Fossil Energy and Acting Director of the Office of Policy, Planning, and Analysis, has assumed the new position of Assistant Secretary for Policy, Safety, and Environment. Mr. William Vaughan, formerly the Assistant Secretary for Environmental Protection, Safety, and Emergency Preparedness, has assumed the position of Assistant Secretary for Fossil Energy.

Another element of the reorganization, which I plan to implement upon the nomination and confirmation of a Director of the Office of Civilian Radioactive Waste Management, concerns the Uranium Enrichment program. An Office of Uranium Enrichment will be established reporting to the Secretary, with day-to-day management oversight provided by the Director of the Office of Civilian Radioactive Waste Management. The Office of Uranium Enrichment will be responsible for all enrichment programs except research and development of advanced technologies which will remain in Nuclear Energy. This arrangement should facilitate the business management operations of both the waste and enrichment programs and capitalize on existing expertise available in the Department in dealing with utilities and other outside interests on these important programs. This will also strengthen the opportunity for the Assistant Secretary for Nuclear Energy, Shelby T. Brewer, to focus on the long-term direction of our nuclear energy research and development and to address the problems facing this important energy source.

Other elements of the reorganization include the establishment of a new Deputy Assistant Secretary for Intelligence in the Office of the Assistant Secretary for Defense Programs, and a new Assistant Administrator for Enforcement in the Economic Regulatory Administration to manage the settlement and litigation of alleged violations of oil price controls.

THE CURRENT ENERGY SITUATION

Last year I stated that the Nation faced a more favorable energy situation than at any time in the previous ten years. Oil imports were down significantly, and our dependency on oil from potentially insecure sources had declined as more use was made of imports from Mexico and the North Sea. Conservation was being widely practiced, and we had become much more efficient in using energy. Finally, the mix of energy sources had changed so that most of the growth in energy in that decade had come from coal and nuclear power rather than from oil and natural gas, which had been the norm previously.

Today, that description of a more favorable energy posture remains valid. Our oil demand for 1983 is estimated to have been 15.1 million barrels per day, the lowest annual consumption figure since 1970. It is estimated that net imports in 1983 were about 4.0 million barrels per day, 4.2 million including imports for the Strategic Petroleum Reserve, a very slight decrease from the 1982 level, and less than half the amount we were importing in 1977. Also, we remain much less reliant on imports from the Persian Gulf. Mexico is our largest supplier, and no Persian Gulf exporter is among the top five. Although 1984 may see the first yearly increase in world oil consumption since 1979, the fundamental underlying softness in the oil market is expected to continue. The financial requirements of a number of producing countries, the uncertainties surrounding the situation in Nigeria, and the continued increase in non-OPEC oil production may create a climate that will make it very difficult for the members of OPEC to stave off further cuts in oil prices.

Another important measure of our energy security is the Strategic Petroleum Reserve, which now contains over 380 million barrels of oil, approximately 90 days of our estimated 1983 net oil imports, and almost 1000 days of our estimated 1983 imports from the Persian Gulf region.

Although the present situation is favorable, we must be prudent in what we do in response to the "breathing room" given us. Even though we are much less dependent on the Middle East for oil than before, the economies of Europe and Japan are still quite vulnerable. This is why we have encouraged those countries to increase their level of emergency preparedness. The international economy is heavily interdependent, and instability in the Middle East producing region could lead to events that could have an effect on their economies as well as ours. The present situation does not call for complacency but for the resolve to take advantage of an opportunity to continue the course for a secure energy future.

BUDGET OVERVIEW

The FY 1985 budget for Department of Energy programs is $15.1 billion, including $1.9 billion in off-budget oil acquisition and transportation funds for the Strategic Petroleum Reserve. The application of prior year balances reduces the need for new budget authority to $14.9 billion. Anticipated outlays in FY 1985 are $13.8 billion, and proprietary receipts collected by the Department are estimated at $2.2 billion.

A new feature of this budget is the savings we anticipate as a result of management initiatives that are being put in place to bring about greater efficiency of operations. Management reform is a priority issue throughout the Federal government. The Office of Management and Budget is directing a six-year management improvement effort entitled Reform 88, which has identified a number of areas where significant gains in governmental efficiency and cost effectiveness can be expected. The President's Private Sector Survey on Cost Control, also known as the Grace Commission, made many specific recommendations for cost savings in its 1983 report. In addition, the Energy Research Advisory Board and the White House Science Council looked at ways to improve the effectiveness of the Department's field offices and laboratories. In response to these various recommendations, the Department is undertaking a number of management initiatives which should result in savings of $47.5 million in FY 1984 and $96.0 million in FY 1985. The attainment of these savings will reduce the need for new budget authority in FY 1985.

The FY 1985 request represents an increase of 19 percent over the amount appropriated in FY 1984 plus proposed supplemental funding requests. This increase results from higher funding levels proposed for the Strategic Petroleum Reserve, Defense Activities, and General Science, which more than offset a decrease in the request for Energy programs.

Energy programs comprise about 26 percent of the Department's FY 1985 budget. In absolute terms, the request for energy programs is about six percent below the FY 1984 level. Within energy research and development, the Basic Energy Sciences program is increased significantly, reflecting the Administration's emphasis on long-term basic research and the availability of important new facilities. Most other major elements of energy research and development show relatively slight changes from FY 1984 appropriation levels, except for Fossil Energy and Solar and Other Renewables, which nonetheless are proposed at levels well in excess of the President's FY 1984 budget request. The FY 1985 budget for Conservation Research and Development is only $3 million below the FY 1984 Congressional appropriation, but is more than twice the President's FY 1984 request. Fossil Energy is proposed at almost twice the FY 1984 request level, and Solar and Other Renewable Energy programs are increased approximately 87 percent above the previous year's request. These significant changes in our proposed budgets reflect the commitment to support a mix of technologies, which is one of the strategies to achieve our energy policy goal.

A major change in this budget is an initiative to continue funding certain conservation grant programs from sums collected by the Department of Energy as a result of settlements, orders or judgments involving overcharges resulting from alleged petroleum pricing and allocation violations under the Emergency Petroleum Allocation Act of 1973, which are not or cannot reasonably be refunded to injured persons. We will propose legislation to establish a Petroleum Overcharge Restitution Fund which will provide the source of funds for the grant programs. The Fund will be established in a manner that allows for any shortfall in revenues to be made up from the general fund of the Treasury. Whereas in FY 1984 we sought no funding for these programs, the FY 1985 request, assuming enactment of the legislation, totals $238 million, the same as the FY 1984 appropriation.

The Strategic Petroleum Reserve budget of $2,337 million will permit an average annual fill rate of 145,000 barrels per day in FY 1985 and a strong program of facilities development. Under this budget, 482 million barrels of oil should be in storage by the end of 1985, which is about 64 percent of the planned capacity of 750 million barrels.

General Science programs, designed to probe the basic fundamentals of matter and energy, are up about 16 percent over FY 1984, due in large part to increased construction funding for major research facilities.

Defense Activities account for slightly over half of the Department's FY 1985 budget. The request for $7,806 million will permit us to meet the requirements of the Department of Defense for nuclear weapons and special nuclear materials, and to continue the modernization and upgrade of aging facilities.

Finally, supporting activities, primarily accounted for in the Departmental Administration appropriation, decline slightly from FY 1984, primarily as a result of the introduction of improved management practices.

I would now like to discuss the funding requests for selected major programs.

CONSERVATION

The Department's conservation activities include research and development in a variety of technology areas and grants to State and local governments.

Within Conservation research and development, program funds support activities in the building and community systems, transportation, and industrial end-use sectors, as well as a broad gauged multi-sector program of basic research and development. The FY 1985 budget provides program funding of $148 million for conservation research and development, which is almost equal to the FY 1984 appropriation and more than twice the FY 1984 request. Building wall and roof systems, indoor air quality, infiltration and ventilation, lighting and retrofit of existing buildings will be primary areas of research activities in the Buildings program. The Transportation program will continue to support private sector efforts to improve the energy efficiency of vehicle systems, with particular emphasis on continued development of the automotive gas turbine and research in adiabatic diesel technology and advanced batteries for electric and hybrid vehicles. The request also provides funds to complete construction of the High Temperature Materials Laboratory.

The Industrial program will continue to provide the technology base to support development of technologies for waste heat recovery and more efficient industrial processes. The multi-sector program will emphasize research in thermal sciences, biocatalysis, and tribology. In addition, funding for evaluation of invention proposals and support for the most promising among them is proposed.

Support will continue for the Low Income Weatherization and Schools and Hospitals grant programs, utilizing funds recovered in settlements of oil pricing and allocation violations during the period of price controls which are not or cannot reasonably be refunded to injured persons. The proposed funding level of $238 million is equal to the amount appropriated for FY 1984.

SOLAR AND OTHER RENEWABLES

The renewable energy technologies show substantial potential as energy supply alternatives across virtually all major segments of the energy market. Solar and other renewable energy technologies, including solar thermal, solar buildings, photovoltaics, biofuels, wind, ocean, and geothermal options, promise increased diversification within the Nation's future energy supply infrastructure.

The budget request in this area is substantially larger than the FY 1984 request. The incorporation of previously discussed Departmentwide cost savings measures, coupled with completion of several expensive projects, makes it possible to present a program at levels slightly below the prior year's appropriations.

We are convinced that, at requested funding levels, the renewable energy program will maintain the momentum established to date by the industrial and federal research community. We fully intend to continue development of virtually all major technology options at a reasonable and businesslike pace. The funds requested for this area permit us the flexibility to expand or open up several avenues of technical investigation and improve upon an established technology transfer activity.

FOSSIL ENERGY

The program level proposed for the Department's fossil energy programs in FY 1985 is $273 million. Although this is about 20 percent below the FY 1984 appropriation, it is virtually twice the FY 1984 budget request, and reflects the Department's strong commitment to supporting a mix of technology alternatives. The coal budget of $178 million continues to address generic research, technology base development, and environmental research. An integrated acid rain research effort cutting across virtually all programs is a feature of this budget. Coal cleaning and preparation and improved combustion systems are among the technologies being developed to permit the Nation's vast coal reserves to be used in an environmentally sound manner. Efforts in magnetohydrodynamics will be redirected to a multiyear program consisting of advanced scientific research and an integrated system test. Research and development into a number of promising synthetic fuels technologies continues in the coal liquefaction and gasification programs.

Petroleum research is proposed at a level above the FY 1984 appropriation, with emphasis on enhanced oil recovery. The gas budget continues activities in Western tight gas sands and Eastern gas shales, and proposes advanced research on the energy potential of methane hydrates and deep source gas.

NUCLEAR ENERGY

The Department's nuclear energy programs are designed to provide the technological base to support industry's efforts to revitalize the development of nuclear power as an economic and environmentally acceptable source of base-load electric power.

The Department's budget request in FY 1985 is $618 million. The largest program elements in the budget are Breeder Reactor Systems ($308 million) and Remedial Action ($152 million). The Breeder Reactor Systems budget is well below the FY 1984 appropriation, because the program has been restructured significantly since the failure to appropriate FY 1984 funds for the Clinch River Breeder Reactor (CRBR) led the Department to initiate termination activities. No FY 1985 funding is required for CRBR termination. As now constituted, the breeder program focuses on resolving technology issues that are key to achieving a safe, reliable, and economically competitive breeder for introduction by the private sector early in the next century. Our confidence in the technical merit, safety, and licensability of breeder reactors was recently confirmed by the action of the Nuclear Regulatory Commission in issuing a Memorandum of Findings favorable to the CRBR. This action would have been sufficient to authorize issuing a construction permit had the project continued. The Clinch River Project has produced valuable experience in the areas of design, component testing, and licensing. This information will be retained for use in the restructured base technology program. A priority element of the program will be a substantial increase in international collaborative efforts.

In FY 1984, activities related to the conceptual baseline design of a proposed large High-Temperature Gas-Cooled Reactor (HTGR) will be completed and available for work with NRC. Efforts will also be initiated on design studies utilizing passive cooling systems for decay heat for both a small integrated system and a modular system. Efforts in FY 1985 will be further refocused to evaluate the potential of small HTGRs for unique domestic and international markets. In addition, the development of the technology base needed for HTGR electric and process heat applications will be supported. These activities and objectives are consistent with the current policy of support for long-leadtime, high-technology advanced concepts that cannot be fully supported by the private sector.

The Remedial Action program has the objective of treating or stabilizing radioactive wastes and performing decontamination and decommissioning at surplus DOE and certain non-government facilities and sites. Funding for FY 1985 is proposed at a level which is more than 50 percent higher than was provided in the FY 1984 appropriation. The increase is concentrated in three areas: inactive uranium mill tailings sites; surplus facilities (primarily Shippingport, Pennsylvania); and the former reprocessing facility at West Valley, New York. The remedial action program has matured to a point where funding at approximately this request level will be required for a number of years, to achieve the cleanup schedules proposed in authorizing legislation.

NUCLEAR WASTE POLICY ACT

Important elements of the Department's nuclear waste activities have been designed to support the goals of the Nuclear Waste Policy Act of 1982, which was signed into law on January 7, 1983. The Act created the Nuclear Waste Fund, which provides for commercial radioactive waste disposal services and for the study of monitored retrievable storage (MRS). The Fund is financed by fees collected from civilian nuclear utilities. The Department is given authority to expend Fund resources through annual appropriation acts. The appropriation request for FY 1985 is $327.7 million, slightly higher than the FY 1984 level. Revenues are estimated to be $377.8 million, assuming that beginning in FY 1985 the fee will be adjusted in accordance with the Administration's economic assumptions. The Department is permitted to incur obligations up to the appropriated amount even if there is a shortfall in the revenues paid into the Fund, through authority to borrow from the Treasury.

The Department has identified nine potentially acceptable sites in six states for the first repository. These nine will be narrowed to three in in a phased process by January, 1985, and a final site will be recommended to Congress in 1990. Also, literature studies are being conducted in crystalline rock in seventeen states as potential candidates for the second repository.

Systems analyses and concept evaluations for an MRS program have been completed. Development of facility design concepts will be initiated in FY 1984, leading to a proposal to Congress in FY 1985 on the need for and feasibility of an MRS.

Another element of the Nuclear Waste Policy Act is the civilian waste research and development program. The FY 1985 request of $27.6 million is more than double the previous year's level, and provides funding for cooperative demonstrations to encourage efficient at-reactor storage; alternative disposal concepts, such as subseabed disposal; and generic research and development studies in support of civilian waste management activities.

Both the Waste Fund activities and the research and development elements of the program are managed by the Office of Civilian Radioactive Waste Management, which was established by the Nuclear Waste Policy Act.

BASIC ENERGY SCIENCES

This program is responsible for generic long range energy related research which has applications to all of the Department's technology development programs. The budget for FY 1985 is $420 million, a significant increase over the $337 million appropriated in FY 1984. FY 1985 funds will support use of important facilities: the National Synchrotron Light Source, the Intense Pulsed Neutron Source, the 1.5 MEV high voltage electron microscope, the Atomic Resolution Microscope, and the Stanford Synchrotron Radiation Laboratory. Also, first steps will be taken to expand energy research computing activities to meet immediate needs for supercomputer access by the Department's energy research staff.

GENERAL SCIENCE

The Department's General Science programs support basic research into the fundamental constituents of matter. This research contributes to advances in all scientific disciplines and broadens and deepens the technology base. The budget request is $746 million, a 16 percent increase over the FY 1984 appropriation. The research is conducted in two programs, High Energy Physics and Nuclear Physics. These programs make use of a number of large, advanced accelerators and other research facilities which in many cases are unique in the world. In FY 1985 preliminary research will be undertaken for the design of the next generation particle accelerator, designated the Superconducting Super Collider, in the High Energy Physics program, and in Nuclear Physics construction will be initiated on the Continuous Electron Beam Accelerator Facility.

STRATEGIC PETROLEUM RESERVE

The FY 1985 budget for the Strategic Petroleum Reserve is $2,337 million, which includes $1,890 million for oil acquisition and transportation off budget and $447 million on budget, primarily for facilities development. The request will permit an average annual fill rate of 145,000 barrels per day in FY 1985, with 26.5 million barrels on order for delivery in FY 1986. At the end of FY 1985, there will be 482 million barrels of oil in storage, which is approximately 64 percent of the 750 million barrel reserve planned by 1991. In view of the Nation's improved energy situation and much reduced reliance on insecure foreign sources of oil supply, the Department's budget and plans for development of the Reserve will provide an increasing measure of protection from energy emergencies, including supply interruptions. Within the Facilities Development program, funds are provided for full scale development of the new storage site at Big Hill, Texas.

DEFENSE ACTIVITIES

Defense Activities accounts for about 52 percent of our budget request for FY 1985. The request of $7,806 million meets the requirements of the Department of Defense for weapons production and testing, together with research and development on new and improved weapons, production of special nuclear materials, and Naval reactor development. Within the Weapons Activities area production activities will involve nine weapons, and preproduction efforts will be conducted on several additional systems.

Increased funding is requested for the Verification and Control Technology program, which aids in nuclear weapons treaty verification, arms control, intelligence, and nuclear export control. Major activities in FY 1985 include continued satellite sensor development.

A major program element is the Defense Waste and Byproducts Management program, which has a budget of $753 million in FY 1985. In FY 1985, efforts will continue to provide for the safe handling and interim storage of all defense radioactive wastes as they are produced, including upgrading waste handling, storage, and waste disposal operations by transferring high level waste from old single shell tanks at Savannah River and Hanford into new double shell tanks. Construction of the Defense Waste Processing Facility at Savannah River and the Waste Isolation Pilot Plant in New Mexico will continue.

Safeguards and security at the Department's weapons facilities are receiving special attention. A supplemental appropriations request of $158 million is being proposed in FY 1984 for this purpose, as well as to fund environmental protection improvements and unanticipated state tax liabilities.

URANIUM ENRICHMENT

Ten years ago the United States had a monopoly on the production of enriched uranium. Today, our share of the global enrichment market has dropped significantly due to a worldwide excess of enriched uranium, increasing foreign competition, and the emergence of a secondary market for enriched uranium. DOE's market practices have not kept pace with the changing circumstances. As a result, enrichment revenues are beginning to erode, thus limiting the funds available for investment in more modern enrichment capacity.

Over the past year we have analyzed the situation carefully, considered alternative options, and developed a strategy that we believe will significantly improve our market position. Our most pressing needs are to stabilize our market share, to provide for an orderly drawdown of excess inventories of enriched uranium, and to stem the tide of customers who are going elsewhere for their enriched uranium. Consequently, our first step is to offer a new contract with terms sufficiently attractive to interest potential customers and to keep our present customers satisfied. This step was taken on January 18th, with the issuance of a new Utility Services (US) enrichment contract. This new contract offers several competitive features including a lower price with a long-term price ceiling, the ability to purchase a portion of uranium requirements from foreign suppliers or the secondary market, and ordering and delivery provisions that are substantially more flexible than those of current contracts.

The second element of our strategy is to plan and conduct the activities in all areas of the uranium enrichment enterprise in an efficient and cost-effective manner. With regard to existing production capacity, we have initiated intense discussions with TVA to obtain relief from the demand charges for unused power. Additionally, we are introducing more effective cost control measures into our gaseous diffusion operations. As market data are obtained from customer response to the new contract, we will adjust our outlays in proportion to our revenues.

The market response to our new contract will also be critical in determining future investments in replacement capacity and in research and development. An important element of our long-range strategy is to replace the gaseous diffusion operations with technologies that are more energy-efficient and, ultimately, more cost-effective. As you know, we are currently building a Gas Centrifuge Enrichment Plant (GCEP) at Portsmouth, Ohio. Our current plan is to proceed in FY 1985 with construction of GCEP Buildings 1 and 2 and procurement of Set III centrifuges. No funds are committed to any buildings beyond Buildings 1 and 2 at this time.

Beyond GCEP, we are developing advanced gas centrifuge (Set V) and Atomic Vapor Laser Isotope Separation (AVLIS) technologies. In the near term, we plan to continue research and development on both. In FY 1985, we plan to select one of these advanced technologies for further development.

Revenues in FY 1985 are estimated to be $1.7 billion. Our request for budget authority is equal to the estimated revenues. Budget authority will be divided among diffusion operations, $1,171 million, Centrifuge, including GCEP, $422 million, and advanced technology, $78 million.

Mr. Chairman, the budget we are proposing is a prudent, balanced approach to meeting our responsibilities in the Department's several mission areas within the context of today's economic realities and tomorrow's anticipated needs. I welcome your questions.

STATEMENT OF HON. DONALD PAUL HODEL, SECRETARY, DEPARTMENT OF ENERGY

Secretary HODEL. The budget submitted this year by the Department of Energy has been based, has been driven, from a policy standpoint by the approach we take to the National Energy Policy plan which we submitted to Congress last October.

In that plan, we have emphasized the importance of trying to move toward an adequate supply of reasonable cost energy in this country. We have emphasized that we really do need to have a balanced and mixed energy supply for the country, and not only the conventional resources such as coal and oil and natural gas and nuclear, but also renewable resources and conservation. I think that the budget we have submitted to Congress this time is an earnest effort on our part to move in that direction.

A somewhat simplistic view of the budget, but I think nonetheless a fair characterization of the budget, is that we have approximately $600 million in energy R&D activities for conservation and renewables, grants and solar and the like—$591 million actually is the total.

In fossil energy we have nearly $300 million, $273 million, which is a 75-percent increase over what we proposed last year. I recognize again it is not as much as the Congress appropriated. As I said last year, we were trying to move to the point where we could legitimately meet with Congress to discuss the areas of difference rather than having vast differences in direction between what we are proposing and what the Congress desired. The fossil area in our budget seeks to minimize environmental impacts from the consumption of coal.

We have in the fusion area nearly a half a billion dollars; in fission, about $600 million; in general sciences, just under $750 million, an area of significant increase, 16 percent over last year.

I will never achieve the point, Mr. Chairman, I am sure where the proponents of various energy resources will be happy with the amounts that we have placed in each of them. Because the proponents of a particular resource believe so strongly in it, I think they prefer to see all of our money devoted to that. The decision I am faced with is within available resources each year, recognizing the budget concerns of the Nation, to try to come up with a balanced approach. I think again that we have made significant progress in that direction.

I am sure that members of this committee and the other Members of Congress will have many questions about specific elements of it which hopefully we can respond to appropriately.

With that statement, Mr. Chairman, I think I would like to respond to the issue raised by you in your opening remarks with regard to the Strategic Petroleum Reserve.

The CHAIRMAN. Might as well.

Secretary HODEL. I thought we might get to that sooner or later. In anticipation of that possibility, Mr. Chairman, I took the liberty of having several charts prepared.

Senator BUMPERS. Do you want to wait until Senator Bradley gets here? You will have to do it all over again if you don't.

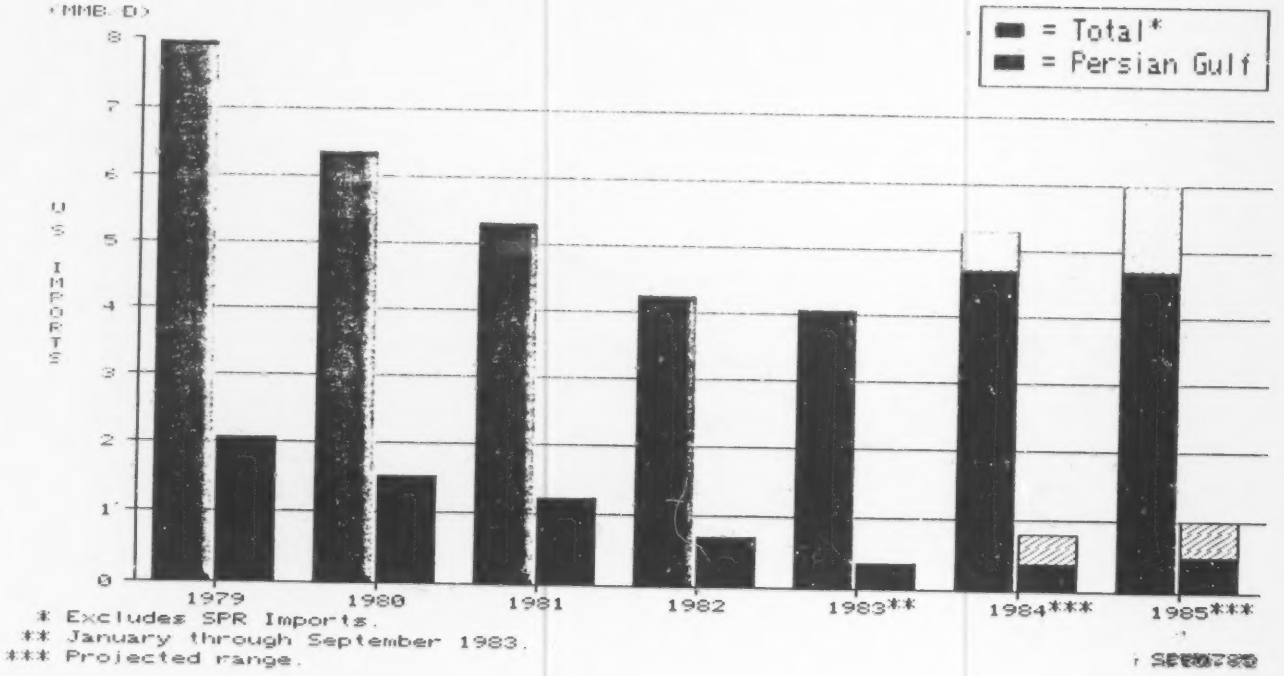
Secretary HODEL. Well, Senator, it may be useful for me to do that. I may get better with practice.

Senator BUMPERS. OK.

Secretary HODEL. Or I may decide to try a different tack by the time we are through with this line.

Let me comment that, as we look at the current imports of oil which are displayed on this chart, for this last year, we run down around 4 million barrels a day if you do not count imports for the Strategic Petroleum Reserve. That is the third bar from the right.

U.S. Net Petroleum Imports



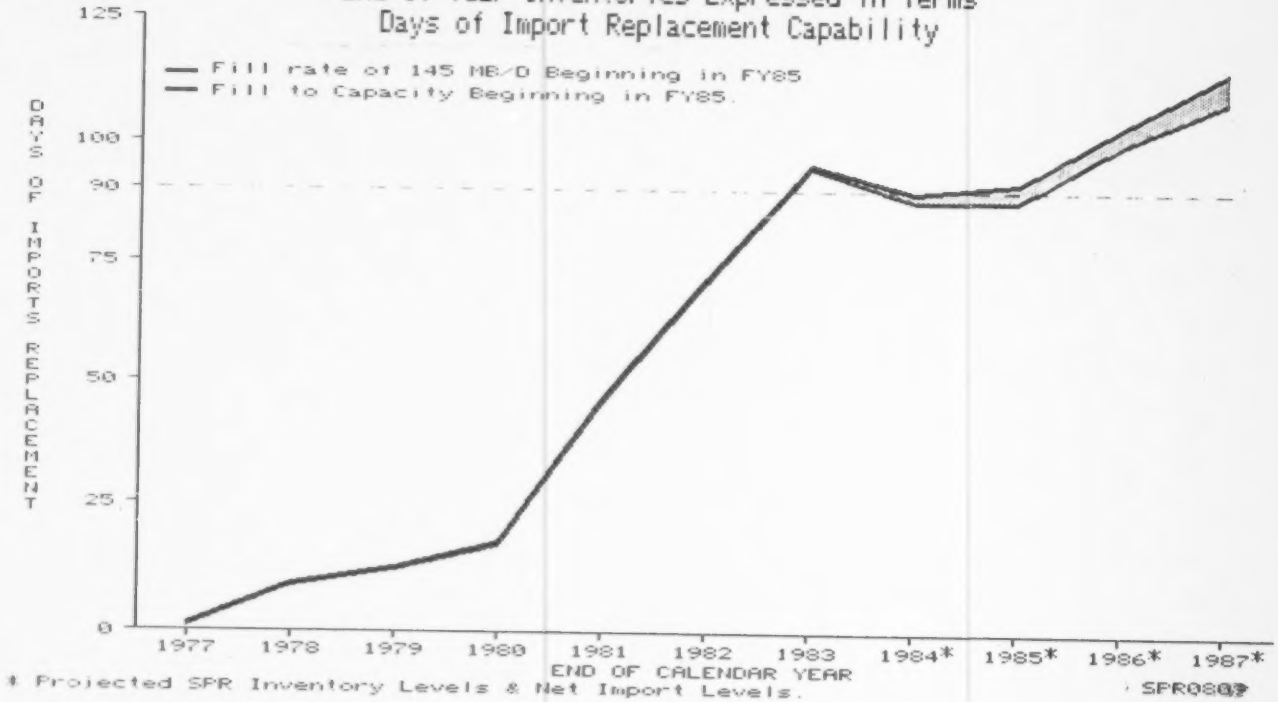
* Excludes SPR Imports.
** January through September 1983.
*** Projected range.

The second bar from the right and the furthest right bar on the chart in green represents projections, the solid bars the minimum projection. The top of the cross-hatched bar is the top of the range of possible imports, a fact not now known to us. As you indicated, imports are rising, but what we don't know is the rate at which that will be done.

The dark blue bars on these charts represent imports from the Persian Gulf and obviously represent a fairly small share of the imports to the United States.

STRATEGIC PETROLEUM RESERVE

End of Year Inventories Expressed in Terms
Days of Import Replacement Capability



* Projected SPR Inventory Levels & Net Import Levels.

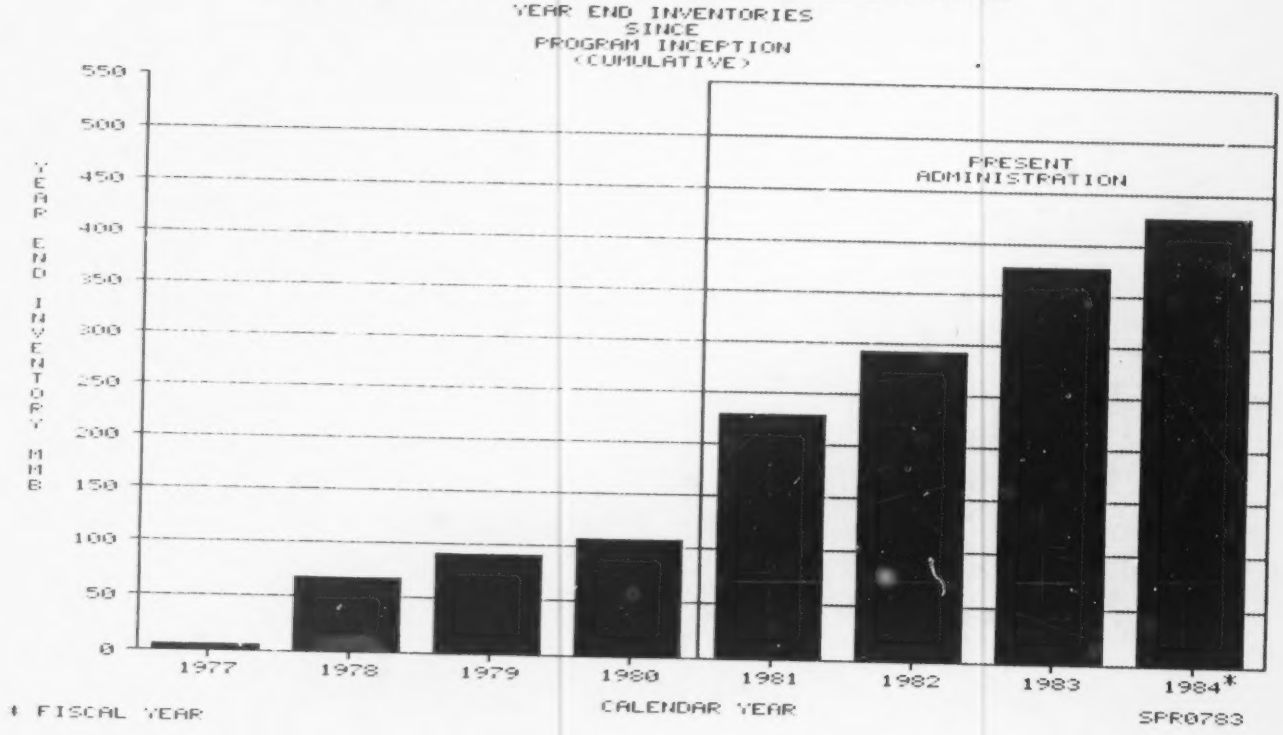
Using that chart, we look at the next chart and look at the projections for the Strategic Petroleum Reserve. At the end of fiscal year 1984, filling at the 186,000 barrel-a-day rate which is mandated in the statute and which we have followed, we will have 429 million barrels in the Strategic Petroleum Reserve.

Our proposal for fiscal year 1985 is to fill at the rate of 145,000 barrels a day which gives us about 53 million barrels of oil going into the Strategic Reserve in that fiscal year. With that, we come up with 482 million barrels at the end of fiscal year 1985.

Senator BUMPERS. How many barrels, Mr. Secretary, at the end of 1985?

Secretary HODEL. 482 million; that is below the maximum rate that we could fill to capacity by about 3 days of forward supply, and the next chart which I have tries to illustrate what has been the history and what is the current status on this project.

STRATEGIC PETROLEUM RESERVE



I don't know whether you can see the numbers here adequately, but the green line two thirds of the way up the chart is 90 days of supply protection. The red line starting in 1977 and going up sharply is the number of days of protection provided by the Strategic Petroleum Reserve actually as against the amount of imports.

Now what has been happening here at the same time——

Senator BUMPERS. Mr. Secretary, if I may, to be sure we are all talking about the same thing, when you talk about a 90-day supply you are talking about a 90-day supply of imports at current rates? You are talking about total consumption? You are talking about imports?

Secretary HODEL. Imports at the rates in the years that are shown on the chart; as I was about to say, the fact that, of course, imports have been coming down while the amount of oil in the Reserve has been going up, and so——

Senator BUMPERS. What import figure are you using in the green line?

Secretary HODEL. Whatever it was in each of those years. The imports in 1978 as I recall were approaching 8 million barrels a day, so for 8 million barrels a day when you add 10 to 12 million barrels——

Senator BUMPERS. Well, we are still not together. Mr. Chairman, if you will indulge me, the green line is constant.

Secretary HODEL. Yes.

Senator BUMPERS. At 90 days.

Secretary HODEL. Ninety days at the actual rate of imports.

Senator BUMPERS. The red line is the Strategic fill rate, is it not?

Secretary HODEL. It is the oil. The red line is the number of days of protection from the amount of oil you have on the chart. Let me if I may move to the chart.

Senator BUMPERS. OK.

Secretary HODEL. In 1978, eyeballing this chart, we would have had about 12 days of protection with the amount of oil that was then in the Reserve.

Senator BUMPERS. Based on the import rate at that time?

Secretary HODEL. At that date, precisely, so what happened is as the import rate has come down, we have gotten a much more rapid rise in the days of protection because if we continued at 8 million barrels a day, obviously this line would be much lower.

Senator BUMPERS. That's fine. Thank you.

Secretary HODEL. So we have gotten the benefits as a Nation of reducing our amount of imports while we rapidly filled the Strategic Petroleum Reserve.

Now the target that—and this is much hazier now—but the target we aim at of 750 million barrels apparently was a relatively arbitrary number achieved by a process of discussion and debate, but it seems to relate fairly well to about a 90-day forward supply in the middle 1980's as a rough target. That is consistent with the commitments we made to the International Energy Agency that we could attempt to have 90 days of forward supply, and it is consistent with the efforts of some of our allies to try to achieve 90 days of forward supply protection.

Now from 1983 on, 1984, we are in the fourth date from the right, you notice we have a blue bar in addition to the red. The

blue bar represents the difference between the number of days of protection that we would have filling at 145,000 barrels a day which is the red line, and filling to capacity, not using interim or above-ground storage.

Under our projections, assuming that imports level off at about 5½ million barrels a day—that is an assumption that is obviously subject to dispute and discussion—but if in fact imports continue to rise in 1985 and 1986 and 1987, our worst problem will not be the level of protection in the Strategic Petroleum Reserve. Our worst problem will be the consequences to our economy if we continue to increase imports.

Our focus should be it seems to me to a great extent trying to reduce or minimize those imports, but the level of Strategic Petroleum Reserve protection continues to rise as we go forward and is very close in all these scenarios to 90 days.

What we have done in proposing the 145,000 barrels a day, 53 million barrels a year fill rate after 1985, is try to take into account what makes good economic sense when we are buying an insurance policy at a time of very severe concern about deficits. It is about a $430 million a year difference in costs in fiscal year 1985 between filling the SPR at 145,000 barrels per day and filling all capacity expected to be available.

The CHAIRMAN. Just one question before we go on to the next chart—I understood you to say that the bar, whether it be the underlying red bar or the blue increment above the red bar, that that is filling to capacity?

Secretary HODEL. Filling to capacity.

The CHAIRMAN. Now does that presuppose 145,000 barrels per day through 1985 and through 1986, or does it contemplate dropping off that fill-rate as we approach the capacity of the current reserve and before we get to the capacity in the bill?

Secretary HODEL. It contemplates a level of 145,000 barrels a day until the last year of fill, at which time because there is not 53 million barrels of capacity still in the fill, obviously it would trail off to completion.

The CHAIRMAN. The last year of fill would obtain the 750 million barrels?

Secretary HODEL. To reach the 750 million.

The CHAIRMAN. You are not talking about interim constraints?

Secretary HODEL. No. This chart and my assumptions are based on the 145,000 barrels a day fill rate hence forward.

The CHAIRMAN. Senator Evans.

Senator EVANS. When you say the blue is the fill to capacity beginning in fiscal year 1985, does that mean in fiscal year 1985 this would be having it at—the 750 million would be at capacity at that point?

Secretary HODEL. No.

Senator EVANS. What is the filled to capacity? Both of them, you are aiming at capacity.

Secretary HODEL. What happens is that we create the underground storage capacity as we buy the oil. We are leaching these caverns as we buy the oil. At the present time we have 385 million barrels in storage, and that is our capacity; and what we are doing is, as we leach and put more oil in, increasing our capacity, we

could fill at more than 145,000 barrels a day and not have to put oil in tanks above ground in 1985. It wouldn't be the full 186, but it would be greater than 145. We could leach faster than this would project.

Senator EVANS. When you say full to capacity in 1985, what you are really saying is we are filling at a different fill rate, somewhere between 145 and 186?

Secretary HODEL. Yes, that is correct, Senator. To phrase it differently, we would be filling as fast as we could, which would bring us to the top of the blue line, as fast as we could being determined by how rapidly we can leach cavern capacity. Obviously, if we went to above-ground storage we could store faster than that.

Senator EVANS. As fast as you can leach and fill, when would you get, in 1985, when would you get 750?

Secretary HODEL. About a year earlier I believe.

Senator EVANS. What year?

Secretary HODEL. Calendar year 1990 instead of calendar year 1991.

Senator EVANS. I just wanted approximately.

The CHAIRMAN. Isn't that 1988 and 1989?

Senator EVANS. I didn't want to know the year.

Secretary HODEL. That is the approximate.

Senator EVANS. Bigger than a breadbox.

Secretary HODEL. The point that I think is important here is that what we are really seeing is that subject to the rate of import, we will be providing at least 90 days or very nearly 90 days forward protection pretty much into the future, and we should exceed that unless our imports go out of sight.

Now the other thing that I think is important to comment on is that we have changed the mix of our imports significantly as a nation. We haven't done this as a matter of policy. I believe the market has worked. In a buyer's market, a buyer buys the least cost supplies and he finds it is closer in Mexico and Canada than it is in the Middle East, and so we have sharply changed the volumes we purchase from the more politically volatile or militarily volatile part of the world.

If we were to apply this chart to just a portion of our imports, such as that coming out of the Persian Gulf, of course it becomes dramatically greater, forward days of protection. I offset that by saying it is because it is an integrated world oil market. We simply can't talk in terms of how many days of supply that we protect against from a single situation. Obviously, if it affects our allies, we would have responsibilities.

The CHAIRMAN. Let me entertain questions from Senator Bradley and make the suggestion that we allow the Secretary to complete his remarks, and then we will start our round of questioning. We have gotten ourselves diverted on the SPRO, as I anticipated we might; Senator Bradley?

Senator BUMPERS. Take all the time you want!

Senator BRADLEY. Slight diversion—Mr. Secretary, I am just curious because the Energy Emergency Preparedness Act of 1982 stated very clearly that the Congress expected a fill rate at SPR of 300,000 barrels a day, and it also said that if the President did not

fill at 300,000 barrels a day that he had to make a statement to the Congress as to why it was not in the national interest.

As you know, he has not submitted that finding for fiscal year 1984, nor for fiscal year 1985. This year we are at 186,000. You are proposing 145,000. Could you tell me why the President hasn't submitted his statement?

Secretary HODEL. Last year I believe we did submit—in fact, I think frankly, Senator, I was reminded about this stage of the proceedings in the hearings last year that we had not made such a finding. In that case, it was the question of whether we could go to 220,000 barrels a day, and that finding was made.

Then my understanding is, and this I think is correct, that last fall in the decisions, deliberations by the committee and the Congress in determining the number of barrels to be filled in fiscal year 1984 the appropriation level was for 186,000 barrels a day.

Perhaps erroneously I took that to be a determination by the Congress that that was an appropriate fill rate and the finding would not be required.

Senator BRADLEY. The law is very clear. It says if not filling at the rate that the statute says, that he has to submit a report, and I hope that particularly since you have proposed not even the level that the Congress approved last year, that you proposed a lower level, that that statement as to why it is not in the national interest will be coming forward.

When could we expect that?

Secretary HODEL. Just for the record, to make sure, in fiscal year 1984 we are filling at the rate approved by Congress, the 186,000 barrels a day. I will obviously promptly upon return to the Department review the legal question of what kind of a statement we need to make to the Congress or submit to the President for making to the Congress on this.

[Subsequent to the hearing, Secretary Hodel submitted the following information:]

The Department of Energy believes it is clear that no Presidential finding or report is required by law in connection with current plans to fill the SPR.

The question arises under section 160(c)(1) of the Energy Policy and Conservation Act (EPCA), 42 U.S.C. §6240(c), as amended by the Energy Emergency Preparedness Act of 1982, Pub. L. 97-229. The meaning of the requirements imposed by section 160(c)(1) was analyzed in detail in a written opinion of the Department's General Counsel dated October 25, 1982, a copy of which follows hereafter. The General Counsel's opinion concluded that when the SPR's fill rate is held below 300,000 barrels per day by appropriation constraints, no Presidential finding is necessary to suspend the 300,000 barrel per day fill mandate indicated in EPCA section 160(c)(1)(B). This is because all of the fill rates mentioned in section 160(c)(1), including the 300,000 barrel per day rate in paragraph (B), are imposed subject to the availability of sufficient appropriations to achieve them.

The appropriations now available for SPR fill are not adequate to accomplish a fill rate of 300,000 barrels per day during fiscal year 1984. Our present calculation is that an average SPR fill rate of 186,000 barrels per day can be attained in this fiscal year, after allowing for a carry-forward into fiscal year 1985 of funds needed to sustain the SPR's oil purchase program. The Department's plans thus are consistent with fulfillment of the maximum practicable fill rate permitted by the available appropriations. No more than this is required by law.

The General Counsel's 1982 opinion also pointed out that if the maximum practicable fill rate for a fiscal year changes in the course of that year (e.g., due to subsequent appropriations), the President could act at that time to determine the mandatory SPR fill rate for the entire year. And, of course, since by its terms EPCA section 160(c)(1) applies on a year-by-year basis, there is no question at this time of a need for a Presidential finding with respect to fiscal year 1985.

Department of Energy
Washington, D.C. 20585

October 25, 1982

MEMORANDUM FOR Acting Under Secretary

FROM: General Counsel

SUBJECT: Presidential Finding Concerning Strategic Petroleum Reserve (SPR) Fill Rate

The Energy Emergency Preparedness Act of 1982 (EEPA), Pub. L. 97-229 (August 3, 1982), amended section 160(c) of the Energy Policy and Conservation Act, 42 U.S.C. §6240(c), to read as follows:

> (c)(1)(A) The President shall immediately undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities, to the extent funds are available pursuant to section 167(b)(2) and (b)(3), at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least the minimum required fill rate until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 500,000,000 barrels.
>
> (B) Subject to subparagraph (C), the minimum required fill rate shall be 300,000 barrels per day for purposes of subparagraph (A), unless there is in effect a finding by the President in his discretion for good cause that compliance with such rate would not be in the national interest. Any finding by the President under this subparagraph takes effect on the date such finding is transmitted to the Congress and ceases to have effect at the end of the fiscal year in which such finding was made. Any such finding transmitted to the Congress shall include a statement of the facts upon which the finding is based. Any such finding shall not be subject to judicial review.

(C) The minimum required fill rate shall be 220,000 barrels per day for purposes of subparagraph (A) during the period in which any finding by the President under subparagraph (B) is in effect.

(D)(i) If funds are available in any given fiscal year after fiscal year 1982 to achieve an average annual fill rate higher than the minimum required fill rate in effect under subparagraph (C), the minimum required fill rate shall be the highest practicable fill rate achievable, subject to the availability of appropriated funds.

(ii) The Impoundment Control Act of 1974 (31 U.S.C. 1400 and following) shall apply to funds made available under section 167(b) and (e).

(2) After the Strategic Petroleum Reserve reaches a level of 500,000,000 barrels, the President shall immediately seek to undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least 300,000 barrels per day until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 750,000,000 barrels.

Thus, if sufficient appropriations are available, as specified above, the President is directed to fill the SPR at a rate of 300,000 barrels per day unless he transmits to the Congress a finding that such a rate would not be in the national interest, in which case the fill rate is to be 220,000 barrels per day.

We have been asked two questions: first, whether in the absence of a Presidential finding against the higher rate, section 160(c)(1)(B) would require that the SPR be filled at a rate of 300,000 barrels per day; and second, whether the President may make a finding applicable to the period preceding his transmitting it to Congress. In our opinion, because the fill rate currently is held below 300,000 barrels a day by appropriation constraints no Presidential finding now is required to avoid the 300,000 barrel per day requirement. It also is our opinion that the President may make the finding described in section 160(c)(1)(B) effective for the period prior to its transmission to Congress.

The various minimum fill rates established in section 160(c)(1) all are imposed subject to the availability of sufficient appropriations; thus subparagraph (B) establishes a minimum required

fill rate of 300,000 barrels per day "for purposes of subparagraph (A)", which subparagraph calls upon the President to achieve the specified rates only "to the extent funds are available pursuant to section 167(b)(2) and (b)(3)". The extent of availability of funds for purposes of SPR fill is governed by the recently enacted Continuing Resolution, Pub. L. 92-276 (October 2, 1982), section 101(b) of which appropriates for the SPR such amounts as may be necessary for its continuance "at a rate to maintain current operating levels". Since the Continuing Resolution makes available insufficient funds to increase the oil in storage in the SPR at an annual average rate of 300,000 barrels per day, it does not have the effect of imposing a current requirement to fill the SPR at the 300,000 barrel per day rate; therefore, no Presidential finding presently is necessary in order to obviate such a mandate.

Even if the available appropriations were greater, it would be permissible to await enactment of a subsequent appropriation before determining the mandatory SPR fill rate. Section 160(c)(1) establishes various minimum required fill rates which are calculated on the basis of an "average annual rate". The Conference Report on the bill which was to become the EEPA, H. Rep. No. 97-663 at page 12, explains that, "the use of the term 'annual' in subsection (c) is intended to refer to the fiscal year." Senator Jackson, the Ranking Minority Member of the Committee on Energy and Natural Resources, further indicated that the requisite fill rate must occur "in a given fiscal year...averaged over that fiscal year...." 128 Cong. Rec. S. 9488 (July 30, 1982). Thus it appears that the minimum fill requirements pertain to the average achieved over a full fiscal year, rather than to varying rates during separate segments of that fiscal year.

We infer from the fact that Congress contemplated calculation of the fill rate on an annualized basis, that the President may act at any time to adjust the fill rate for the fiscal year in question consistent with the requirements of section 160(c)(1)(B). The contrary conclusion, that he only could adjust the fill rate for the period from the time of transmittal of his finding forward, would mean that to reduce the rate to 220,000 barrels per day for an entire fiscal year he would have to act before the year began or on the first day of the fiscal year. But acting prior to commencement of the fiscal year seems prohibited by the provision in section 160(c)(1)(B) stating that any finding shall cease to have effect at the end of the fiscal year in which it is made. And it hardly seems likely that if Congress had intended to require the President to act only on October 1, it would have chosen such an indirect method of so limiting the President's scope. The unreasonableness of this position is also made apparent by the present situation. Because of the terms of the Continuing Resolution,

the minimum required fill rate is today less than 300,000 barrels per day. Yet if the President were required to act on October 1 only, the statute would require the President, should he believe a 300,000 barrel per day rate not in the national interest for the fiscal year, to act either unnecessarily or on the basis of speculation about future appropriation levels.

We have considered the contrary argument, that the language in section 160(c)(1)(B) providing that the President's finding takes effect when transmitted contemplates reduction to the 220,000 barrel per day level only for the part of the year remaining. But this interpretation of the effectiveness provision would put it at odds with the rest of the statute governing the minimum fill rate, as previously described. It is, of course, a maxim of statutory construction that a statute should be construed to give effect to and harmonize all its parts. 2A Sands, Sutherland on Statutory Construction §46.05 (4th ed. 1972). The statute can be so construed only by interpreting the provision in question as meaning that the President may make a finding that the 300,000 fill rate is inconsistent with the national interest in a given fiscal year, effective according to its terms, viz., for the entire fiscal year, regardless of when he transmits it to Congress.

R. Tenney Johnson

R. Tenney Johnson

cc: Robert Odle
William Vaughan

Secretary HODEL. I don't have a target date, but obviously we should do that promptly. I would expect that any such statement that would need to be made would follow along the lines of what I have laid out to the committee this morning.

Senator BRADLEY. You say that the reason the rate is at the level that you suggest is because of improvements in the domestic and international energy supply situation.

Could you explain a little of what that is and put that in the context of the fact that stocks on crude oil and petroleum products, excluding the SPR, are at their lowest level since the midseventies? And could you also explain the lower fill rate given the fact that the Saudis themselves see the situation perilous enough that they are having a floating reserve and filling it at about 600,000 barrels a day? So their perception of the situation is much more dire than apparently your perception. I would like to know, given those two facts—the decline of stocks, the Saudis filling their reserve—and given the interdependence of our economies—you know, we might have cut our imports, but we are still very much affected by any kind of supply cutoff and its effect on the economies of Japan and Germany—how can you justify this statement that the domestic and international energy supply situation has improved so much when we are addressing the question of vulnerability?

Secretary HODEL. I would like to put the first chart back up if I may. I don't know whether you were here when this chart was on the stand.

That chart indicates in the green bars the levels of total imports to the United States. The cross-hatched portion of the green bars on the right represents the range of possible low and high imports. At this point, nobody knows. Imports are increasing as we know.

The dark blue bars represent our imports from the Persian Gulf. They are not additive. They are a component of the total.

When we talk about improvement in the international import situation for the United States, we have changed our sources of supply significantly in this country. Our top five suppliers are not out of the Persian Gulf. Mexico is our largest. Canada is our next largest. The United Kingdom and Venezuela are third and fourth.

Senator BRADLEY. I understand that point. I have the caveat that our import situation has improved, but given the interdependence, what are the responsibilities under IEA in the event of a disruption in which Western Europe and Japan are cut off?

Secretary HODEL. To go further then, our allies have also been making strides in reducing their dependence upon imports of oil. Most of them do not have alternatives of domestic supplies, but they have improved their situation significantly in terms of percentage, but still, and I make this point routinely when I talk to people about the energy situation, we can't just look at our own import figures or at our own dependence on the Persian Gulf. We have got to recognize it is a fully integrated oil market. What happens to our allies and the less developed countries are matters that need to be of great concern to us.

The stocks alone in the United States at the present time compared to where they have been for 10 years, we have a report from the National Petroleum Council which I understand to say with the reduced number of refineries in the United States——

Senator BRADLEY. Reduced what?

Secretary HODEL. Refineries and facilities in terms of distribution facilities, the requirements for stocks are down from where they were in prior years. When we look at the amount of oil supply in the United States, as you well know, we can't just total up the number of barrels that are in storage because there is a lot of what I might call line pack. You have to have the lines full of oil for it to come out the receiving end. There is a lot of oil in storage, and those lines which you simply can't utilize—in a hydroelectric system we call it dead storage—you can't generate electricity with it. You can't use what is in the lines unless you push something more into the line. Because the lines are smaller, because the system is smaller in volume, you don't have the same volume requirements. I believe we have seen a reduction as a result of that, and the United States is in better shape than most countries because it does have a Strategic Petroleum Reserve which is not part of that line pack.

One hundred percent of the SPR oil is available for sale and distribution, so that I think when the stocks are low, that has to do with the size of the system. Our consumption is lower than it has been since that time.

The CHAIRMAN. I think we are going to have to permit the Secretary to complete his statement, and we will then return for questions.

Senator BRADLEY. Mr. Chairman, could I just make one comment? The argument that has just been made is the argument we have heard frequently in the past for not filling at a higher rate.

The Congress has overridden the past two administrations on this issue. Given the very thin stocks that we have, I don't think

we are being prudent if we go for the lower fill rate. I think that that is very clear.

In 1979 when uncertainty occurred in Iran and we had the cutoff there we were in a stock situation very similar to the present time. If anything the situation in the Persian Gulf politically is as unstable today as it was then, if not more so, so this is a familiar speech and you have made it and I have made it. I hope that the Secretary is going to realize that we are far from out of the woods here, and if the economy is recovering, all this great stock situation has got to even become more fragile because we are going to be using more. I hope that the committee will focus on that argument.

The CHAIRMAN. Mr. Secretary, you may proceed. I would suggest we get off SPRO for a moment. I am sure we will return to it.

Secretary HODEL. OK. I would hope we can. There are a couple of points that Senator Bradley raised that I do think I should respond to in due course.

Let me just close my comments, Mr. Chairman, by commenting that when I came into this job it was my desire to try to move the Department and the Government toward more of a consensus on energy in this country. I don't think that we will ever reach the point where everybody agrees on every issue relating to energy. It is far too complex and multifaceted for that, but I do believe we have made some real strides. I hope that the comments you made in your opening statement are heard by many, and I hope they can agree that we have tried to find many areas of accommodation, and the concerns of Congress, we are genuinely concerned about the same thing.

We do want an adequate supply at reasonable costs. Honest men will and can and obviously have differed over precisely how that should be, but it is clearly what we are trying to accomplish. I hope that that is manifest not only in my dealings with members of this committee and the Congress, but I also hope it is manifest on the part of all of the people who represent this Department when they come before these committees or when they meet with you and your staffs on issues of concern.

In the end this Nation will not be served by bitter, divisive debate over energy. It will be served by men and women with good will and good conscience trying to come together and agree on those things that are in the national best interest.

Behind these charts is the fact that this Nation is still too dependent upon imported oil, that our allies are too dependent upon imported oil. Unless we do and continue to do things which will reduce that dependence, we are not serving the Nation well. No matter what the size of the Strategic Petroleum Reserve, in the end our consumption patterns are what we must be worried about.

Senator BRADLEY. Mr. Chairman, may I submit some questions for the record? [1]

The CHAIRMAN. Of course; on our first round of questioning, in view of the number of members here, we should limit our question period on the first round to 10 minutes per person.

Mr. Secretary, I will be very brief. There are a whole host of questions that I would like to ask; those that I will ask at this time

[1] Answers to questions appear in app. IV.

are not necessarily the priority questions that I have, but perhaps ones that I think others will not ask.

Last fall the Congress made the decision which I found and find very distressing, but nevertheless the Congress made the decision, that was not to fund the Clinch River breeder reactor demonstration program.

I will not go into all the reasons why I think that was a bad decision, other than to comment that we seem to be progressively and systematically eliminating our alternatives in alternative energy sources.

The next target, aside from the problems that conventional nuclear is under in its licensing and operator's licensing problems, will be acid rain and fossil fuels. This Nation can't exist without an adequate supply of energy. We are not reducing our dependence upon imported oil as we ought to be. This last year we have moved to put a moratorium on offshore oil development. We have moved to restrict the availability of public lands on shore for its exploration for energy resources—great questions exist concerning the pace as well as the method of leasing our coal resources.

Coal slurry pipelines are bogged down. We are systematically eliminating our alternatives. When we do that we are systematically increasing the danger to the security of this country both from a military stance and from a financial or economic stance, the point which you stressed earlier. But that being as it may be, and not to go on at much greater length, as I sometimes do about that problem, I am concerned about what will happen in the wake, or in the aftermath, of the decision by the Congress to eliminate the demonstration program in breeder technology.

As I look at the figures, and as we have discussed privately, your figures and mine look differently. My staff and yours have aggregated them differently, and I suspect for opposite reasons. Ours is to dramatize the difference; yours is to minimize the difference. But as I see it, the base breeder R&D program is reduced in your budget submission by 27 percent, which is precisely what I predicted would happen if Clinch River were not kept on line, that the next assault would be on the breeder base program. And as I see it that assault is underway.

I am very much concerned that we have a viable research and development program. We have apparently decided not to have a demonstration program, but I don't think that means we should back away completely from breeder technology. While the 27-percent reduction does not necessarily emasculate the program, it begins the process of dismantlement, and I would be very much concerned if that trend is accurate and if it is continued.

I would invite your comment.

Secretary HODEL. Mr. Chairman, I am acutely aware of your concerns because you have stressed them very effectively to me on a number of occasions in the past as well as today.

Our staffs have ginned up different numbers, different percentages. I am concerned that we not back away from the base breeder program, as you know. At least you know I am committed to that, and I think that this budget moves us in that direction.

My directions to the staff in the preparation of this budget were that what we should be trying to do is see to it that we carry on

those programs which continue to underlay the technical and scientific base for breeder technology, and that we carry on activities which will permit us to participate internationally. Particularly we look toward the Japanese at this time because of the Monju reactor which is essentially the same size as the Clinch River breeder would have been and is a loop design. It appears to be a very natural area for us to reach out and to work collaboratively. I have also asked that, in putting this budget together no sums be left in that are not defendable or that we cannot justify in terms of those objectives.

We need the breeder in our program not just because of the future energy requirements, but I think if this Congress is as concerned as some Members say they are about nonproliferation, one of the worst things that could happen is for the United States to walk away from the breeder reactor table. That table will be surrounded by people who invested significant sums of money in that technology. They will be making the rules by which people play in that game.

If we care about proliferation, it is foolish and wasteful for us to spend any money and time trying to solve that problem if we don't remain a responsible part of the international breeder community. We can't do that without an adequately sized program. I am committed to that, Mr. Chairman.

If your concern is this budget does not keep us at that level, then I am concerned and I think we have to get down to specifics, although I am not probably equipped to do that with you today in the specific numbers.

The CHAIRMAN. Well, Mr. Secretary, I appreciate the invitation to sit down and work on the components of that program, because I think we must come to an understanding of what that program is, where it should lead, and what the components ought to be.

I hope all of us will approach that discussion with an open mind, not simply trying to maintain organizations, or work levels or program levels at specific laboratories or in specific communities, around the country. That to me would not be the appropriate way to resolve the problem.

What we ought to look at is what kind of a program should we have, what should its pace and development be, and fit that into the budget, and, in turn, fit that into the manufacturing, industrial, and scientific communities as well as the geographic communities where they are located, in a way that will minimize the human impact and the loss of technical expertise, and infrastructure expertise, that is associated with the base breeder program.

I am sure we can't solve that here this morning. I welcome the opportunity to discuss it further with you, and I will certainly avail myself of that opportunity, but I am concerned, and I think the Nation should be. I particularly commend you for focusing on the nonproliferation aspect of an adequate research and development program.

I remember the dramatic announcement that Senator Church, then a member of this committee, made in a speech in England a number of years ago at which he made precisely the same point, that indeed if we are going to affect the course of international conduct in this field, we have to be active participants in it.

I very strongly agree with that statement, and I commend you for raising that point here today.

Senator Johnston.

Senator JOHNSTON. Thank you, Mr. Chairman. Mr. Secretary, welcome back to the committee.

Secretary HODEL. Thank you, Senator.

Senator JOHNSTON. I have a number of questions here to be submitted in writing on behalf of Senator Ford that have to do with uranium enrichment. I would appreciate very much if you would answer those. I will submit those to you.[1]

Mr. Secretary, last year in a proposed final order you indicated the Department did not intend to issue a final entitlements list and the cleanup list for the entitlements program.

We can argue this either way, and I don't intend to argue that at this point, but I do note that your proposed budget indicates that you intend to send legislation to the Congress which would transfer oil overcharge moneys into a special DOE administrative account which would be intended for various programs such as low-income energy assistance and weatherization. I know there is some pressure for that from the House.

First of all, I would say I would strongly disagree with that. The idea of creating a slush fund with those moneys, however great the cause is in a time of budget stringency like this, would really be irresponsible.

If these purposes are worthy, and I think they are, both weatherization and low-income energy assistance, they ought to go through the appropriations process and not have a slush fund which would not be really related to those who were overcharged the money. They would not likely be or very efficiently be the ones to whom it was refunded.

Low-income energy assistance and weatherization are programs largely for those who are in need, and by and large are not those overcharged in the program, and those in need ought to be helped regardless of whether they were overcharged.

Now second, I wonder if you have given any thought to using these oil overcharge moneys to satisfy the legitimate claims of small refiners who in fact were in the class who were overcharged and who will be the ones who will suffer as a result of this nonissuance? Have you given any thought to that?

Secretary HODEL. Senator, I am in receipt of your letter and I have thought about that, and I thought perhaps you might raise the question today.

We have considered a wide range of issues on this whole entitlements list publication and the decision not to issue the final closeout list was not easily or lightly arrived at. It is absolutely a can of worms to try to analyze or determine at this stage what would be on a final list and who would be the beneficiaries and who would not. We have concluded that we would not be well advised to try to now go back and create some kind of a substantial equity for any of the participants on that list.

Our proposal is to leave the parties where they were after the publication of the next-to-last list, but we have considered it. At the

[1] Answers to questions appear in app. IV.

present time it is not our inclination to set up a fund, whether it is overcharge money or otherwise, which would reimburse people.

Senator JOHNSTON. Do you have any steps planned or in the thinking stage to do anything for the small and independent refiners?

Secretary HODEL. We have no plans at the present time to deal with that issue.

Senator JOHNSTON. Well, I would urge you to do so. I think as you know they are a very rapidly disappearing breed, and they serve a very important function in the market, those that are competitive. In fact, anybody who is left now is pretty competitive. I would hate to see them disappear simply because they don't have access to crude as an integrated refiner and particularly when they would have been recipients had the entitlements program finished as it should. So I would urge you to rethink that and if you have ideas on it let me have them in answer to that letter.

Next, Mr. Secretary, I continue to be concerned about the nuclear waste fund. The revenues for that fund are down. For 1984 they are down by $138 million. For 1985 they are down by $104 million; for 1986, $96 million; and by 1987 they are down by $87 million relative to the estimates that you published in the fiscal year 1984 budget submission. I am concerned about what is happening to these revenues.

Can we have confidence in current estimates, and are we going to have enough revenues for the nuclear waste fund?

Secretary HODEL. Senator, had you asked me last year I probably would have said we have confidence in our forecasts, and now you are pointing out to me that we have a new set of forecasts.

I have lived with the problem of forecasts so long in the electrical business I am really hesitant to say what I am about to say, but we believe that these forecasts are sound and reliable, based on what we presently think we know about the size and operating characteristics of the nuclear industry down the road. We believe we can plan and operate a program within the levels of revenues which that represents.

Beyond that, all I can say is that forecasts have consistently proven to be wrong, historically sometimes too low, and sometimes too high.

Senator JOHNSTON. Can you tell me when the President will appoint a Director of this nuclear waste program?

Secretary HODEL. Senator, that is a matter of considerable embarrassment to me. We have spent 14 months since the bill was passed. We have looked at a large number of prospects, some of whom clearly qualified, who were not willing to take the job.

I kiddingly describe it as a unique, very demanding, very challenging job. It requires a very specially qualified person who is both smart enough to do that job and dumb enough to take it because it is a thankless chore. The fact that it is also a Presidential appointment, it requires confirmation, has not made it easier, particularly as we approach the end of what some of us believe is simply the first term.

There are some people—the kind of people we want are usually well established in some position and they are a little hesitant to

give it up for what may somehow conceivably be less than a long tenure.

I am hopeful, Senator, that very shortly we will have a name to this committee in nomination. We are working on that diligently.

Senator JOHNSTON. The dates continue to slip. The program continues to not quite meet the dates that were given at the last meeting or set forth in the law, and I am very concerned about it, and I don't think you are going to get that kind of direction until you get a Director who is appointed and qualified and in charge.

Secretary HODEL. We have had excellent direction, but I agree. It is not fair to ask people to serve in this difficult a job, in an acting capacity. Their hands are, to some extent, tied. I am acutely aware of that. I look back over the last 14 months and say had I known we were going to have this experience I would have done it differently 14 months ago. I have not.

Senator JOHNSTON. Thank you, Mr. Secretary.

The CHAIRMAN. Thank you. Senator Hecht. Senator Evans.

Senator EVANS. Mr. Secretary, I have a number of questions to submit in writing which I don't believe are important to discuss here.[1] Let me start by going back to the Strategic Petroleum Reserve to see if I understand one of the comments you made on inventories.

When you mentioned line pack, I think I understood what you were driving at. With consolidated lines with fewer veins and arteries, you don't need as much in the lines.

Do we consistently or can we consistently try to separate out the active versus the dead inventories so that we can get comparative figures that really mean something?

Typically,in the past, have we just taken total inventory including that which is really not usable?

Secretary HODEL. That is what some countries do do. I don't think we have done that in the United States. I know we haven't taken our total billion, 400 million barrels of storage capacity and said that represents our reserves because they are not reserves. We know you have to have an operating amount in there.

We have tried to refine this, I believe, over time. I think we are reasonably comfortable with the levels we are talking about, and what that tells us is that the amount of non-Federal, non-Strategic Petroleum Reserve storage is not a large amount. It varies seasonally in anticipation of a gasoline season, stocks of gasoline, heating oil and the like, but I think——

Senator EVANS. The concern that Senator Bradley mentioned, however, that this was at the lowest point or down substantially, do those figures include or exclude or are they modified to some degree to represent that whole request, what you call line pack or dead storage?

Secretary HODEL. We try to adjust for the line-pack requirement. What is interesting is that, if we are at some comparable point to 10 years ago, we had no Strategic Reserve which constitutes a very sizable addition to the available storage.

Senator EVANS. I understand that. I was trying to get whether we were—when you are talking about inventories, whether they

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[1] Answers to questions appear in app. IV.

are up, down or sideways, outside of the Strategic Petroleum Reserve, whether we were measuring year by year the effective available inventory or whether the problem that I thought you were mentioning is inherent in the figures.

Secretary HODEL. I think that we have reasonably good confidence that the numbers are accurate. That is a very recent report that was utilized, and we do keep track of the storage routinely on a month-to-month basis.

Senator EVANS. You would agree that storage outside the Strategic Petroleum Reserve is down at the lowest point it has been in the last 10 years?

Secretary HODEL. Yes. We don't quarrel with that conclusion. Its consequences may differ.

Senator EVANS. I would just like to associate myself with the chairman on the breeder reactor research, and I come at this not necessarily as a believer that that is or will be the major direction we take in future energy, but I certainly believe it is important for us to maintain our options in every research field as we look forward.

I would like to get a more detailed breakdown of where you think the monies ought to be spent, where we can most effectively carry forward a breeder technology as it relates to the individual facilities around the country.

On some of the other elements of energy research, or looking ahead at the future, I notice there is nothing that I could find at least that specifically sets forth an integrated program on hydrogen development.

I know I asked you before about that. What is the intent of the Department and what is its belief as you look ahead in that as a potentially viable alternative energy source, and what is being done?

Secretary HODEL. Senator, I will have to supply the answer to that question for the record. It has been my impression overall that, in terms of cost effectiveness, the hydrogen technology has not appeared to be very competitive at the present time unless we find some presently unknown mechanism for producing the hydrogen less energy intensively.

Senator EVANS. I understand that, but neither are breeder reactors economically viable. Fusion certainly isn't and neither are a lot of other things that we are looking at very seriously and spending an awful lot of money on.

Secretary HODEL. Good point.

Senator EVANS. I would like to find out because it just seems to me that we are doing less than we should if we are leaving aside some of the potential areas for new energy development as we look ahead, and if we put all of our energy eggs into one basket we may find ourselves badly bruised in the future, especially when you consider this an alternative energy source which appears to, if successfully prosecuted, appears to have many fewer environmental hazards connected with it compared to some others.

Secretary HODEL. Senator, I appreciate your comment, and it is precisely in line with our strategy of a balanced and mixed energy resource base. I will have to get back to you and describe our current status.

[The information follows:]

DOE is continuing a multi-year research and development program studying the generation, storage, transmission and use of hydrogen. These projects are coordinated through the Hydrogen Energy Coordinating Committee (HECC) which was organized in the Energy Research and Development Administration, and was continued when ERDA programs were incorporated into the Department of Energy. This committee functions to improve communications between various groups performing research related to hydrogen. The HECC holds meetings at which recent progress is reviewed, plans are exchanged, and a formal talk on a current topic of interest to hydrogen researchers is presented. Minutes of these meetings are prepared and distributed to attendees and other interested persons. In addition, the HECC publishes an annual summary of DOE hydrogen programs.

The following research illustrates the ongoing work in DOE:

Basic Energy Sciences (BES) FY 84 Budget--$16.7 Million
Office of Energy Research

The BES research relevant to the DOE hydrogen program is supported within three divisions: Chemical Sciences, Biological Energy Research, and Materials Sciences. The broad objectives of the research are to understand those

chemical, physical, and biological problems that are related to such topics as thermochemical, photochemical, electrolytic, and biological hydrogen production; hydrogen storage in hydrides; and materials problems resulting from hydrogen embrittlement. Also included is exploratory research on novel concepts related to hydrogen production.

The Chemical Sciences research related to thermochemical hydrogen production consists primarily of inorganic chemistry relevant to currently identified thermochemical cycles and the identification of new and improved approaches to thermochemically dissociating water.

The Biological Energy Research program explores hydrogen production in a variety of organisms (algae, bacteria, etc.). In this program, emphasis is on defining the mechanisms by which hydrogen is evolved and establishing quantitatively the parameters governing hydrogen production.

Chemical research on hydrides related to the storage of hydrogen includes synthesis, characterization, and property studies of various hydride systems. The chemistry of hydrogen interactions and transport in pure metals, alloys, and metal/nonmetal compounds is studied to aid in the design of materials with specified thermal and kinetic properties and increased potential for hydrogen storage.

Materials Sciences research efforts focus primarily on the effects of hydrogen on the properties of materials, the structure and behavior of hydrides, and hydrogen embrittlement studies.

Energy Systems Research (ESR)--FY 84 — $2.5 Million

Conservation and Renewable Energy

The Chemical/Hydrogen Energy Systems Program sponsored by ESR includes projects in hydrogen production, storage/transport, and end-use. During FY 1983 the Program completed the transition from an emphasis on near to midterm applications type projects to a focus on the far term, high-risk/high-payoff research efforts. The total thrust of the R & D is toward the development of a technology base for hydrogen not tied to specific applications.

The key hydrogen project initiated in FY 1983 was the work at Westinghouse aimed at developing high temperature (1000°C) water vapor electrolysis. The advantage of this approach is that part of the energy for water decomposition is introduced as thermal input reducing the less efficient and more expensive electrical input.

The work in transport is concentrated on hydrogen embrittlement studies with both Battelle Columbus and Brookhaven National Laboratory investigating the effects of hydrogen on natural gas type pipelines. The critical limitations with regard to low cycle fatigue were quantified, and several additives that act as inhibitors to embrittlement were identified. Future work will define the mechanism that additives have in inhibition. In connection with the storage of hydrogen this office has recently been sponsoring a request for proposals soliciting new ideas for hydrogen storage. Brookhaven National Laboratory made substantial progress in the construction of its Integrated Test Bed facility and in the implementation of photovoltaics/electrolyzer project which will be the initial experiment. Construction of the facility was completed, the PV arrays were installed, and the GE SPE electrolyzer is being tested. The planning for cooperative follow-up projects involve several outside organizations including NASA, IEA-European industry, and Canadian research groups, as well as U.S. manufacturers.

In addition to the major activities described above, this office is heavily involved in the International Energy Agency contributing projects in the production, transport and storage areas.

Inertial Fusion (IF) FY 84 Budget-- $2.3 Million
Defense Programs

In the inertial fusion process, energy is produced through the fusion of deuterium and tritium fuel contained in tiny glass or metal spheres referred to as pellets. The hydrogen-related research within the program consists of: (1) developing fabrication techniques for inertial confinement fusion pellets containing the hydrogen isotopes deuterium and tritium, (2) studying the physical and chemical properties of cryogenic deuterium and tritium, (3) determining the effects of deuterium and tritium on the strength of inertial confinement fusion pellet materials, (4) studying the permeation of deuterium and tritium through various fuel pellet shells at both elevated and room temperatures, and (5) determining the potential for using inertial confinement fusion to produce hydrogen.

Military Application (OMA) FY 84--$2.9 Million
Defense Programs

Research on hydrogen for military applications is continuing and can be expected to remain important for the foreseeable future. Information developed in the unclassified research projects may be of interest to other users of hydrogen. Research areas include compatibility and interaction of hydrogen with various materials, electrical properties of solid deuterium and tritium and ultrahigh pressure studies.

Solar Thermal Technology FY 84--$650,000

Conservation and Renewable Energy

The scope of hydrogen-related research in the Solar Thermal Technology program includes the development of thermochemical cycles for the production of hydrogen from solar heat sources. Particular emphasis is given to high temperature reaction driven by central receiver power sources, such as occur in the water-splitting sulfuric acid cycle, to produce hydrogen fuel.

Vehicle and Engine R&D (VERD)-FY 84--$145,000

Conservation and Renewable Energy

For fueling highway transportation, hydrogen use has been investigated to the point of establishing data so engine specialists could design an optimized propulsion system and vehicle designers can determine how best to carry the fuel under basically unfavorable (bulk and weight) conditions.

Although hydrogen fuel projects are complete, investigations into hydrogen embrittlement and hydrogen permeability of high temperature alloys are being conducted as part of the Automotive Stirling Engine (ASE) program. The ASE uses hydrogen as a contained working fluid at high temperature (1500°F) and high pressure (2200psi). Emphasis is placed on identifying existing and developing new alloys whose strategic element content is minimal.

Senator EVANS. I have the same interest, of course, in some of the other renewables. In the solar field, of course, in your remarks you say solar is not competitive under current market conditions.

Of course, that is true, but none of those alternatives are, and that is the whole reason for research. I commend you on the restoration that has been made in some of the solar renewable areas.

The photovoltaic portion of solar is down. However, some of the other countries seem to be moving ahead rather strongly in this field.

What is the Department's view on this potential alternative?

Secretary HODEL. My understanding, Senator, is that we have an increasing amount of private investment in solar photovoltaic research. Some of the more optimistic reports in recent times have been from a non-Federal sector, and it is our desire to continue to be a participant and hopefully assist in that effort, but I don't think I can say that the Federal Government is trying to lead the way in that technology now but rather we are pursuing some aspects; other aspects of it are being pursued by others.

Senator EVANS. You feel there is some integration in that so that there is neither duplication or holes left in that research?

In other words, how much either data exchange or contact is there between the governmental and private sectors?

Secretary HODEL. In all candor, it is a mixed bag, but it is an area where we have tried to put more emphasis on the technology transfer aspect because of precisely the point you make.

One of the challenges I do put to people in research is, can you assure us we are not duplicating what somebody else is doing? Rather, is it additive and collaborative? I am sure that we try hard to do that.

I am trying to focus attention through the Solar Energy Research Institute to increasingly give it an overall responsibility of monitoring solar and guiding where we are headed in solar so that we minimize risk. There has been quite a tendency on the part of components of the Department to establish independent research efforts in the solar area. I think we need to have those well coordinated.

I believe we are doing a good job of communicating, but I find—when I attended the solar renewables program in California recently, I was informed by a man who had invested $1,500,000 of his and investors' money that the Department of Energy had just granted some several million dollars to somebody to produce something essentially like what he claimed he had just developed. He was outraged, and rightly so.

Senator EVANS. That seems to be a very big problem throughout a lot of this, aside from the Department of Energy. I hope somebody some day has a better idea of how we can sort out what is going on so that we don't duplicate.

Secretary HODEL. This is an area where we are trying for better communication with the people who represent the various solar interests here in Washington, and as well try to communicate with them more effectively. We hope to cut down on such problems that way, to focus our research in areas that do have a chance of contributing something successful.

We do not have the kind of program that some people talk about in other countries where we take a block of money and target a technology and say we are going as the Federal Government to try to pick a winner. We are going to try to make that successful and feed it into our system. We do not have that approach. It is something we have shied away from.

Senator EVANS. Yes. Conservation activities appear to be down some in the budget, both for grants and R&D. It seems to me that that has already proven itself to be both a cost effective and potentially very large new energy source. We are kind of going downhill instead of uphill on an area that certainly is cost effective, certainly is viable, and if we have concerns about new energy supply, perhaps the most available of all.

Secretary HODEL. Well, as you know, Senator, I have long talked about energy conservation as a resource. Going back to a prior incarnation, I still believe that.

The money in the fiscal year 1985 budget proposal is for $148 million in energy conservation research and development, and that compares to $151 million appropriated by Congress. Certainly some of that could be explained in terms of programs that are being completed, but certainly it would be undoubtedly a difference in view as to which programs should be pushed at this time.

We have tried in that budget level to reach a point where we can genuinely discuss with the committees and the staffs those projects that make sense from a conservation standpoint. Get away from the question of whether we are just turning our back on conservation. We are not.

Senator EVANS. In the development of the budget do you have or can you supply us with what you intend to do in the conservation budget? Where are those new programs?

Secretary HODEL. As well as the rationale, and why we think they rather than some alternatives; as you may imagine, the want list is larger than the $148 million.

Senator EVANS. I understand.

Secretary HODEL. I think probably it is informative to look at not only what we are proposing to fund which I think is quite a proper level, but the kind of things I excluded in this budget and the reasons for that.

[Subsequent to the hearing Secretary Hodel submitted the following information:]

The new activities in the FY 1985 Energy Conservation budget include increased emphasis on technology transfer, funding of research fellowships at DOE national laboratories, increased investment in capital equipment for the national laboratories, and expansion of ongoing R&D programs in new directions.

The budget requests $16.5 million for increased technology transfer activities, such as workshops, seminars, distribution of technical information, an Energy Efficient Building Center, and renewed activity in driver training and ride-sharing. This request includes $5.0 million for university and industry fellowships at national laboratories, which will allow a two-way exchange of information between government and the private sector.

The budget requests $13.6 million for capital equipment, which recognizes the important role of the national laboratories in our R&D programs. These increased equipment expenditures will enhance the effectiveness of our R&D efforts.

Examples of expanded R&D programs include increases in the structural ceramic materials work for Automotive Gas Turbines, increases for the High Temperature Materials Laboratory at Oak Ridge and in other high temperature materials research, and increases for biocatalysis, industrial heat pumps, and tribology.

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The budget also excludes some activities which were funded in the past. These activities are either no longer necessary or appropriate for Federal support, having attained their intended objectives, or have failed to rank sufficiently high in the planning process to warrant continued support in the face of limited resources. Some examples include the scaling back of the full engine design program for the Automotive Gas Turbine from two prototypes to one, which in our judgment is sufficient to determine proof of concept, and the phase-out of the Stirling Engine program, which has attained a degree of success where private industry can now realistically assess its potential and make its own decisions about future support.

In the State and Local Grants area, the budget requests no funding for the Energy Extension Service or for the State Energy Conservation Program. The Administration feels that limited Federal funds are more properly applied directly to energy improvements in people's homes and institutional buildings, helping those least able to respond to changes in the energy market, such as in the Low-Income Weatherization and the Schools and Hospitals programs. The States should assume responsibility for energy-related state administrative and extension activities.

Senator EVANS. I understand, Mr. Chairman, my time is up. I briefly have one final comment which sort of wraps all this together, and then in the BPA budget I have a number of questions that I would just submit in writing.[1]

With all of this question of what is economic, what is cost effective and what isn't in terms of energy sources, it seems to me we are approaching a time very rapidly when we are going to have to fold into the actual cost of the budget of fossil fuel the environmental costs. Acid rain obviously is one of them. There may well be others. I don't believe we have fully taken into account those costs in determining the true value or the true cost of that energy source.

The same thing may well be true in the nuclear field in terms of adequately taking into account the costs of waste management.

I hope that the Department—I don't want to pursue that because my time is up, but I hope that you can let us know to what degree the Department is going to try to move in that direction so we can all get a real cost, and in doing so, have a better idea of what truly is cost effective. We may find some things we have assumed are not cost effective energy sources which when all costs are taken into account may well be a lot more cost effective than we think.

Senator NICKLES [presiding]. Thank you very much, Senator. By order of appearance, Senator Bumpers.

Senator BUMPERS. Mr. Secretary, the "Petroleum Intelligence Weekly" that by March 1984, the Soviets might be interested and in the position to sell both oil and gas to the United States.

What are your thoughts if any about that?

Secretary HODEL. Senator, I don't have any wise thoughts on that subject.

Senator BUMPERS. Do you have any objection to it if the oil companies of this country could cut a deal with the Soviet Union that is to their advantage and therefore to the advantage of the American consumer? Do you have any objection to it?

Secretary HODEL. I can answer that question from the standpoint of energy and economics. I can't answer it in terms of national security and international affairs.

Senator BUMPERS. I understand.

Secretary HODEL. In terms of energy, it seems clearly to me that we should encourage purchases and sales which make economic sense to the American consumer, taking into account the point Senator Evans made, that sometimes there are noninternalized costs. For instance, the Strategic Petroleum Reserve is a cost to this Nation of importing oil. Actually it is a cost of using oil because even if we imported no oil, we might have to have some kind of strategic reserve because of our allies; but in that framework, I think that from an energy standpoint, if we can get a quality supply of oil at a reasonable price, we ought to do so.

Senator BUMPERS. of course, I come from an agricultural State where we are always vitally interested in exporting agricultural commodities, and all those arguments can be made about if you furnish them hard currency they can spend it to buy technology, arms and all of the rest of that sort of thing, but one of the things I

[1] Answers to questions appear in app. IV

thought about, of course, was bartering or considering bartering grain for oil with the Soviet Union. They are always desperate for grain. While we are not desperate, if we could cut a deal with them that was to our mutual advantage, I would certainly like to see it done, and completely aside from whatever foreign policy implications there may be, you have no personal objection to it?

Secretary HODEL. No, sir. In fact, I was advised yesterday that the Government or the oil company of Yugoslavia has just worked out a very substantial barter arrangement with a U.S. oil company for the supply of oil in return for goods to Yugoslavia, so it is one of the ways to beat the exchange rate problem.

Senator BUMPERS. Yes. Well, I understand that the oil is of a quality that could go into SPRO, that it would be suitable for that purpose, and you know, I have not always been an advocate of SPRO for two or three reasons, not the least of which is I don't believe in a "drain America first" policy, and if we have a chance to drain the Soviet Union, I think we ought to do it.

The Grace Commission has recommended also exempting oil shipments to SPRO from the requirements of the Cargo Preference Act.

Do you have any feeling on that?

Secretary HODEL. Senator, that is one of those proposals which may make good economic sense, but which maybe in this case has been overridden by a sense of national policy that says we are not going to do that. We have not proposed to make any change at this time. It is the kind of thing one continues to review and it will come up from time to time, but I have no present plans to propose a change in that policy.

Senator BUMPERS. On the oil overcharge fees, it is my understanding that the fund has in it possibly a total of $5 billion, but all but $420 million of that is contested by the oil companies.

So we are on the same figure, is that essentially accurate?

Secretary HODEL. The $5 billion sounds like the figures I have heard. They range—$5 billion is a good number. I was not aware that $420 million was not contested unless we are talking about the amount that has already been collected.

Senator BUMPERS. I can't swear that is true. That is just what my staff memo says.

Secretary HODEL. It may well be accurate. My experience has been that with numbers of that size, there is a lawyer somewhere who can think of a reason to contest every dollar, but let's assume it is accurate for purposes of the question.

Senator BUMPERS. OK. Of the $420 million which we have agreed is accurate, I understand that there are claims against that for all but $395 million for the school, hospital, weatherization.

Oh, I'm sorry. Well, there are identifiable claims of people who say they were overcharged $395 million, and that leaves $25 million currently available for conservation grants.

Now first of all, could we get your assurance that you are going to very aggressively pursue all the outstanding cases?

Secretary HODEL. Yes, sir.

Senator BUMPERS. OK; and are you going to send us any legislation proposing the disposition of these fees?

Secretary HODEL. I hope so, and very soon, sir.

Senator BUMPERS. That is my next question. About when could we expect that?

Secretary HODEL. I had hoped by the end of this week. At this point with the way the process works it could be the first part of next week, but I think we are that close to having a proposal.

Senator BUMPERS. Fine.

Secretary HODEL. Which I can outline in some general way for you.

Senator BUMPERS. Well, would you, please?

Secretary HODEL. The proposal would be that the oil overcharge moneys would be put in a fund, that the money from that fund would first be utilized to pay claimants or victims. Identifiable victims have the first claim. That is clearly the purpose. Finding them has been a very difficult problem for us, but if we find them, they get the money.

The remainder which is thought to be the larger share would remain in funds to be available for appropriation by Congress to these three programs that are listed. One is the weatherization program, the hospitals and schools grants, and one other, low-income energy assistance program, and the idea would be that the amounts, this would be distributable over a 4-year period, and that would mean essentially a commitment by the administration to fund these programs at the level Congress has been funding them, which as you know has been a matter of some debate and dispute between us in prior budgets, so it was an attempt to reach an accommodation on that continuing dispute.

We still have to be subject to approval by the appropriation process each year.

Senator BUMPERS. Mr. Secretary, let me set a little embryonic idea in your mind before you finalize your thoughts on that, and this is a parochial idea, but in Arkansas the State employees have a van pool arrangement under which roughly 25 vans are used to transport State employees into the capital every day.

It is a self-sustaining proposition. They could use twice that many. Every van is full every day, and it is both economical and a terrific energy saver, but they could use another 25 vans but they don't have the money to buy them from a capital account, and they have been to see me about the possibility of using some of these funds to help them with their capital needs to buy more vans which would have a tremendous energy impact at least in a limited way.

Do you have any thoughts about whether they are?

Secretary HODEL. Senator, you can imagine in trying to decide what should happen to the money, we had an enormous——

Senator BUMPERS. You are going to leave that to us.

Secretary HODEL. We will recommend I believe these three identified, but we recognize that the ultimate disposition will be up to the Congress; and clearly we realize that by listing three we open ourselves up to a list that may get longer.

Senator BUMPERS. Are you going to propose the transfer of these funds to Health and Human Services for administration?

Secretary HODEL. I believe we are actually proposing that the money be appropriated to Health and Human Services and transferred back to DOE.

Senator BUMPERS. Why do you want to do that? These are supposed to be energy programs, not income maintenance programs.

Secretary HODEL. The weatherization program as it works today is not proper in my estimation. The way it presently happens is we receive these funds and we set up a completely separate process for distributing them and we are really not in the health and human services area, and yet the money is given to people based on need.

Under the low-income energy assistance program and the weatherization program if you go into one of these local offices today, at least I found when I visited these offices two charts on the wall—your qualifications for Health and Human Services money and for weatherization your qualifications which are different for Department of Energy money, and the immediate answer is why don't we change this? And the answer is we don't have that good a control over the process, and so what we have is two IG's, two auditors, two sets of standards.

It seems to me Health and Human Services has an established group of people who distribute funds based on need. That is what they should be doing. We should be giving them technical advice on where that money can be wisely spent, assisting them in those standards in installation and that kind of thing, but we shouldn't be in the health and human services.

Senator BUMPERS. I think that makes some sense as far as low-income weatherization is concerned, but not in the hospitals and schools program. Why should Health and Human Services—why not transfer that, one of them, to Health and Human Services and the other one to the Department of Education?

Secretary HODEL. I hadn't thought of transferring any of them to Education. It is probably a good point. Here again, when it comes to hospitals, HHS deals with them. They have established lines of communication. We set up a whole additional set of lists, mailing lists of people to deal with. We hire people, train them to become involved.

Frankly, one of the problems I have encountered is that the constituency has argued they don't want to see these combined because they feel we are doing a good job.

Senator BUMPERS. What does HHS know about energy? Aren't they going to have to hire a whole cadre of new people to assess these applications and evaluate them?

Secretary HODEL. HHS today is distributing by far the vast proportion of money for low-income energy assistance.

Senator BUMPERS. I am talking about energy conservation in hospitals and schools. That is the Energy Department's forte. At least it is supposed to be.

Secretary HODEL. I think it makes good sense for us to suggest to HHS—that aspect of conservation makes sense, but that we shouldn't intend to do the whole business of we set up two Government agencies that hospitals and schools have to deal with when one could well suffice and we could serve as technical consultant and assistant, and I don't think it cuts into the program at all. It ought to strengthen it.

Senator BUMPERS. Mr. Chairman, would you indulge me one one final question that deals with entitlements?

When we decontrolled oil in this country there were a whole host—I am talking about refinery entitlements. You remember that program?

Secretary HODEL. Yes; I do.

Senator BUMPERS. As I understand it, there is a whole host of people who say that the Department of Energy said that they are entitled to a considerable amount of money under the entitlements program, and as I understand, you still have that under active consideration?

Secretary HODEL. No, Senator, we have issued a proposal. Well, yes, we do have it under active consideration in this sense. We have issued a proposed notice that we do not intend to publish the last closeout list, leaving people where they were after the publication of the next-to-last list.

It is a matter of considerable dispute because there are big winners and losers, and some of the major refiners, major oil companies are very perturbed about us not publishing the list, but there are also many smaller refiners who are affected, some favorably, some unfavorably, based upon the numbers that are on that chart that was drafted.

The problem is the verification of those numbers is extremely problematical and doubtful at this stage, *x* years after the case. It is so stale, so old, it is very difficult to know whether we can make that.

Senator BUMPERS. Mr. Secretary, let me just suggest that you if you will send me a letter outlining your position, the rationale for it. Would you please do that?

Secretary HODEL. I surely will.

[The information follows:]

THE SECRETARY OF ENERGY
WASHINGTON, D.C. 20585

March 16, 1984

Honorable Dale L. Bumpers
United States Senate
Washington, D.C. 20510

Dear Senator Bumpers:

During the Committee on Energy and Natural Resources hearing, February 8, 1984, you requested a letter outlining the Department's position on the Entitlements Program, particularly as it might relate to those companies who would receive money if the January 1981 and Clean-up Lists are published. The Department is giving careful consideration to the claims of parties affected by the tentative decision not to publish the lists. In the Federal Register notice setting forth the tentative decision not to publish the lists, the Department indicated the following as some of its reasons for making this decision:

1) the amount of money that would be transferred would be so small that it would not have an impact on the competitive viability of the industry or any segment thereof;

2) the transfer of money would be from small and independent refiners as a class to large refiners; and,

3) the transfer may be inconsistent with the purposes of the EPAA and E.O. 12287.

These and other considerations behind the tentative decision are discussed more fully in the Federal Register notice which I have enclosed for your information.

At the present time, this matter is being given careful consideration in light of the public comment received in response to the notice. It is my intention to make a final decision on this issue as soon as possible given the importance of the concerns involved.

If I may be of further assistance, please do not hesitate to contact me.

Sincerely,

Donald Paul Hodel

DONALD PAUL HODEL

Enclosure

federal register

Thursday
November 3, 1983

Part II

Department of Energy

Economic Regulatory Administration

January 1981 and Entitlements Adjustments Notices

Senator BUMPERS. Thank you. Thank you, Mr. Chairman.

Senator NICKLES. Senator Domenici.

Senator DOMENICI. Thank you very much, Mr. Chairman. Mr. Secretary, we may submit some questions[1] regarding various research projects that are going on in the country. Let me just compliment you on one thing and then ask you a couple of questions about another aspect of your Department's activity.

First, I would want to compliment you on your efforts, and those of Under Secretary Pat Collins, for what you have done in putting together a comprehensive budget on the solar and renewables. We could perhaps argue a bit over the dollars, but I just want to tell you I am very encouraged because I think you have focused on the right things—basic research and efforts to move the technology ahead and on technology transfer in those areas.

With reference to tax credits, they are not energy tax credits. They are not necessarily in your jurisdiction, but I would hope that because of the interest you have shown and the objective fact that the energy tax credits are probably doing more than anything else in these renewable areas, that you would support the efforts being made here. We are about to get that done in the Senate, and I hope maybe you could help us with it, and when it hits the House perhaps you could help there.

I don't know that I will ask you to comment on whether or you will or not at this point, but it is not a lot of money and it fits in almost everybody's budget, so we hope you will be with us on that.

Secretary HODEL. Senator, I would like to comment if I may.

The administration has not taken a definitive position, and I have discussed energy tax credits in much the same terms I have answered some of the other questions here today. From an energy policy standpoint, I think they make sense and should be continued.

That does not mean that is an overriding consideration and that ultimately the administration will support that because there are other, as you know, very serious considerations with respect to funding, but I believe from an energy standpoint that the energy tax credits should be continued.

Senator DOMENICI. Let me spend the next couple of minutes that I have on uranium mining and the adequacy of America's uranium supply from the domestic standpoint.

First of all, let me ask, it is my understanding that the various reports that are required of your Department pursuant to the law that we got passed 2 years ago regarding a Presidential viability study, and another study that is required by you and the Department, that both are behind schedule in terms of the date that they would be done, and you have informed us of that. That is what I am told.

Could you tell us now whether you intend to comply with that aspect of the law and develop those objective reports with reference to whether or not we have a viable uranium industry in the United States?

Secretary HODEL. Yes; we do intend to complete that report, and I was taken aback when you indicated we were behind schedule be-

[1] Answers to questions appear in app. IV.

cause in briefing for this hearing I hadn't realized that, and it may be because I was looking at the new schedule. My understanding is we are on schedule, on a current schedule. We expect to meet, and I think it is some time later this spring that we expect to have the report to the President available.

We are also completing the other study which is a viability report from the Secretary. My understanding is that the report is required annually.

Senator DOMENICI. Right. The Presidential one could end up with us having to take some very dramatic action as a Nation with reference to imports, and it is the one that is most important. It will end up with the President having to tell us whether or not we have a uranium industry that is adequate to maintain our domestic needs.

I think you yourself have said it is a very strange situation for us to be in a position where we don't want to import 50 percent of our oil, but we don't mind importing 50 percent of our uranium. I think you have said that publicly and to me.

Secretary HODEL. I have.

Senator DOMENICI. And that leads me to the next question and then I will be finished. The enrichment program does have an impact on the use of uranium.

I understand that you are presently contemplating a change in policy which would adjust to the reality of there being a significant abundance of uranium, and that it is cheaper, and that the way to do that is to to use higher tails which means you use more uranium and less electricity to purify it in advance. Is that correct?

Secretary HODEL. Our proposed contract gives the customers a right to go to a variable tails assay option which would increase the uranium as I understand it.

Senator DOMENICI. Now Mr. Secretary, I understand that that is the case, but at the same time it may be sort of taking from one basket, putting it in another, in that there is some economic penalty going to be imposed on those that do that which could indeed offset any advantage.

Secretary HODEL. We plan no penalty. We do plan to charge for the increased cost, if any, attributable to that. I understand there might be some increased cost. I believe we have reserved the right to charge for that based upon its cost, so that the utilities will have the option of looking at where its cost benefits are.

Senator DOMENICI. Well then, might I ask, Mr. Secretary, could you describe your enrichment policy at this point in general terms as one that is motivated by a desire on the part of the Department of Energy that we use more uranium rather than less at this point in history?

Secretary HODEL. Senator, what has dictated our position on uranium enrichment is the state of the market. What I found when our Assistant Secretary Brewer drew it to my attention early last spring was we were running a failing business. Uranium enrichment is a $2 billion a year business. We were the highest priced seller in the market. We had the least flexible contracts. We had the most restrictive terms. We had the largest number of customers and they were fleeing us in droves.

They had notified us that they were going to stop taking from us as soon as possible, to take from any other source. Traveling internationally I encountered foreign purchasers who are distraught over the restrictions we have imposed on them. They had enriched uranium they couldn't use at many tens of millions of dollars of cost to their country, so we felt we had to make a decision. Either we were going to continue rigidly where we were and go out of business, or we had to restructure the way in which we operated that business and be viable.

We have come up with a contract proposal, the purpose of which is not particularly related to whether we are going to use domestic uranium or not. That wasn't the driving force, but whether we are going to be the world's largest supplier of enriched uranium. I think it is important for us to be economic from the standpoint of nuclear nonproliferation. What we are proposing to do I think will capture the lion's share of the market.

In discussions with the uranium mining industry, I recognize that we have given flexibility to customers in this new proposal. They may buy from other sources if they wish, up to 30 percent under our contract. I believe we are going to be the least cost producer, and that they are going to end up buying by far the largest share, beyond the 70 percent, from us. In This case, we will continue to have a better, more likely market for domestically produced uranium than under any alternatives that are available to us. The fallout from a good program I think will be much more healthy domestic production than otherwise.

The word they give me is not very encouraging because they tell me we have lower ore values and higher extraction costs than some of our competitors.

Senator DOMENICI. I understand that. Nonetheless, we were very reliable, and there are serious questions of whether or not Australia is that reliable. Their major political party is presently engaged in a policy dispute, and if they win the majority control, they still stop mining uranium—period. That is part of their plan for a significant minority party in that state. That is pretty touch stuff. From time to time those kind of things happen. Sometimes they win, even though it seems crazy to us.

Let me go back to the reports that you have to make with reference to the industry. I understand now that what you are saying is since the Department didn't like this when we were passing it, nonetheless you intend to comply and get us the reports, both yours and that one required of the President?

Secretary HODEL. Yes, sir, we do.

Senator DOMENICI. Thank you very much. Thank you.

Senator NICKLES. Thank you, Senator. Mr. Secretary, I have several questions.

You may be aware of the fact that we are going to be taking up in the Senate, probably this week or next, as soon as we return, the Export Administration Act, which there would be an amendment dealing with nuclear proliferation, prohibiting exports of enriched uranium unless there is onsite inspection and so on.

Are you familiar with that amendment that is floating around here?

Secretary HODEL. Generally familiar, yes.

Senator NICKLES. Does the administration have a position on that amendment?

Secretary HODEL. Yes, sir. I think that it is unwise for the United States further to isolate itself from the international market by imposing restrictions which are not imposed by competitors in those areas.

Senator NICKLES. Could you send it to us—I mean at least members of this committee. I think there are a lot of people who need to know more about the subject. It may be that the additional information you might be able to provide could be beneficial, if you would send us a letter stating the administration's position on that amendment.

Secretary HODEL. Secretary Shultz, Secretary Baldrige and I hopefully will be delivering a letter on that subject urging we not move in the direction in which there appears to be desire.

[The letter follows:]

THE SECRETARY OF STATE

WASHINGTON

January 30, 1984

Dear Mr. Chairman:

During Floor consideration of S. 979, Senators Humphrey and Roth may offer an amendment which would prohibit the licensing for export or retransfer to certain countries of nuclear commodities identified under Section 109 of the Atomic Energy Act. We strongly oppose this amendment.

This proposal would have far-reaching impacts which have not received adequate congressional review in the relevant committees.

The range of commodities or transfers covered by the amendment, though meriting control because of their nuclear relationship, does not present dangers from the point of view of nuclear weapons proliferation because of their minor character. Significant U.S. nuclear trade with countries that do not accept safeguards on all their nuclear facilities is already precluded by the Nuclear Non-Proliferation Act (NNPA) of 1978. This statute requires nations to accept comprehensive safeguards in order to be eligible for major nuclear exports or retransfers. The Administration strongly supports such comprehensive safeguards. The President is undertaking a new initiative to convince other nuclear suppliers to require comprehensive safeguards as a condition for major new nuclear supply commitments. We believe such a change in international nuclear export rules should be achieved through negotiation, and not dictated unilaterally in U.S. legislation.

Moreover, enactment of this amendment would damage our efforts to achieve the very non-proliferation goals which are the basis of this amendment. If our ability to conduct non-sensitive nuclear commerce is denied, the U.S. will be unable to provide concrete incentives for countries of proliferation concern to accept broader safeguards and to act in ways consistent with non-proliferation goals.

The Honorable
Jake Garn, Chairman,
Committee on Banking, Housing
and Urban Affairs,
United States Senate.

Finally, adoption of the proposed amendment would disrupt the present regulatory structure established by the NNPA without compensating benefit. This system of controls was carefully developed to permit a determination on a case-by-case basis as to which types of nuclear cooperation pose unacceptable proliferation risks. By treating minor nuclear exports and retransfers in the same fashion as major items having real proliferation significance, the Humphrey-Roth amendment upsets a balanced and sensible system which is working well to advance both U.S. national security and trade interests.

For these reasons, we urge you to oppose this amendment and any other nuclear trade restrictions which would injure gravely United States foreign, nuclear non-proliferation, and trade interests.

Sincerely yours,

George P. Shultz

Malcolm Baldrige
Secretary of Commerce

Donald P. Hodel
Secretary of Energy

Senator NICKLES. I appreciate your input on that. You mentioned a couple of things. I guess each of us have our own issues. We haven't talked that much about the budget.

First and foremost on the issue that I have been working on for the past year, which was natural gas deregulation, I have complimented you in the past for your leadership in that area.

Is the administration still strongly backing natural gas deregulation?

Secretary HODEL. Yes, sir; it is our highest priority legislation in the Department of Energy. We have I believe full support from the administration. The President hasn't wavered at all in his support of the decontrol.

Senator NICKLES. If you could just get a little help in the Congress?

Secretary HODEL. Well, politics is the art of the impossible, as you well know, and it is a difficult issue.

Senator NICKLES. It is a difficult issue. Some of us are still working. Some people have pronounced it dead. I don't think it is. We are going to try and see if we can't do something. We appreciate your working with us.

You also mentioned earlier a statement that we ought to do what is economics; as far as buying and trading oil, if it is economically advisable for both parties, we should do it.

Would you support the efforts, that some of us are trying, to have where we sell Alaska oil to Japan?

Secretary HODEL. Senator, in my confirmation hearing I was asked how I felt about that issue and my position really hasn't changed unfortunately.

There is nothing new or different or exciting about this, but it seems to me if it makes economic sense we ought to be trying to do it; but in the case of export of Alaskan oil, we have very stringent legislation at the moment that does not permit that.

Senator NICKLES. You are prohibited statutorily? It would take a statutory change before that would be allowed?

Secretary HODEL. That is my understanding, yes, sir.

Senator NICKLES. Would you support such legislation?

Secretary HODEL. From an energy standpoint, I would think such legislation is appropriate. What we have to get back into then again is what are the other factors that will affect an administration decision?

At the present time the administration does not have a position on it. I think you would have to find some resolution of concerns about jobs and American ships and those kinds of things before it could even be considered.

Senator NICKLES. For your information, we may be looking at an amendment dealing with that subject on the Export Administration Act as well. We are trying to keep the communications open with you, and we would like to have some input and some support.

I think it could make sense economically, as well as be of benefit to both countries, and also would help us with our negative trade balance. There is a lot of pluses, and I think the pluses, outweigh the minuses.

Along that same line, I saw the graphs that you have given showing somewhat of an increase in the amount of oil imports.

Percentagewise how has that changed? Do you have a chart that shows total consumption and what imports are as a percentage of consumption?

Secretary HODEL. Imports continue to run around 30 percent or so of our—they were down as low as 26 or 27 percent and they may be slightly in excess of 30 now, but they run around the 30-percent level.

I think one of the Senators earlier indicated he calculated 33 percent.

Senator NICKLES. Could you give us, to kind of complement this, the total amount of consumption the last several years so we can kind of put that in perspective? Because I think there was a decline, but it has increased back to almost the previous 1979 levels as a percentage of total consumption—maybe not quite that high.

Secretary HODEL. Not quite that high, but it is up. It is up, and our oil consumption is up to about 15.3 million barrels a day I think is our forecast for this year; and if we import 5 million barrels a day, which is one forecast that we have looked at, we are in a range of a third, 30 percent.

Senator NICKLES. So we are still importing some 30 odd percent which still has a very, very negative balance of payments—you know, everybody—is starting to focus on the negative balance that we are having in the trade balance. Well, a good part of that is still oil.

To complete this record, and the direction I am trying to take it, could you provide us with how much of a negative balance we have had dollarwise on oil imports for the last several years?

Secretary HODEL. Yes.

Senator NICKLES. I think that would help us. I would like to know that because I think the way the $60 billion negative trade balance last year which was a record—they are saying this year it is going to be even greater. I would like to know how much of that is oil.

Secretary HODEL. I would be happy to supply it.

[The information follows:]

U.S. OIL CONSUMPTION AND TRADE

	1979	1980	1981	1982	1983	1984	1985
Oil Consumption (MMBD)	18.5	17.1	16.1	15.3	15.0	15.5-16.2	15.4-16.4
Oil Imports-Net (MMBD)	8.0	6.4	5.3	4.2	4.1	4.7-5.3	4.7-6.0
Oil Imports/Consumption	.43	.37	.33	.27	.27	.30-.33	.31-.37
Cost of Imported Oil ($Billion)	72	87	81	55	43	46-52	46-59
Merchandise Imports ($Billion)	273	294	285	258	254	N.A.	N.A.
Merchandise-Net Trade ($Billion)	-37	-31	-31	-38	-57	N.A.	N.A.

Oil consumption and net imports exclude SPR. All dollar values are in 1983 constant dollars. 1983 data are preliminary. Data are estimated for 1984 and 1985. These estimates are for a plausible range of outcomes but actual values may, of course, fall outside the estimated range.

Secretary HODEL. One of the earlier questions I had was about the fact the Saudis are putting oil in storage, in some floating storage and some onshore storage in the Caribbean, at the rate of 600,000 barrels a day.

One of the things that is often overlooked when talking about that is the costs of providing that secure reserve by the Saudis is a fraction of what it is for the United States. They have the lifting and the storage costs, and lifting costs may be around $1 a barrel. We are buying at around $30 a barrel. We have the facilities to build as well, so it is a significant difference in economic consequences.

Senator NICKLES. I am concerned, too, Mr. Secretary, that we still haven't done—I would compliment you on the job that you have done as far as natural gas in a lot of areas. Still looking back over the last several years in energy policy, and I will cite a couple of examples—one is in the licensing of nuclear power, it still takes too long for development, and we are seeing a large number of plants shut down, some at very close to their final stages of development.

What can be done? Is the administration doing enough, the NRC doing enough, or is the backlog so tremendous we are not seeing an increase as some of us would like to see in domestic nuclear power that would help us decrease our dependence on imports?

Secretary HODEL. We have before the Congress a nuclear licensing reform bill which we think would help. We think the time to pass it is when we don't have a lot of plants stacked up waiting to be licensed. This is the time to deal with the issue.

I think we also must have the luxury of discussing it not in a heated atmosphere of someone saying, if you pass that, somehow it is going to affect my local situation. It is a desirable thing to do. There is no excuse for the United States taking 12 to 14 years to build a plant that can be built as safely and operated as efficiently and safely in some other country in 5 or 6 years.

Senator NICKLES. Would this bill streamline that, reduce that time?

Secretary HODEL. I believe the result of this bill would be to encourage restraint on backfitting. It would encourage standardization, and it would provide for a combined construction and operating license in initial stages which would require that the plants be more fully designed when they go into construction than is now the case. The business of going into construction with a partially designed plant and then designing while constructing may be part of the problem that we have encountered.

Japan has an extended licensing program which goes on before the first investment in construction really begins. Once they start the construction, if you build this plant in accordance with this design, you will be allowed to run it. I think we need to get to that stage so we don't have this business of everybody trying to stop the plant under construction. That is where you run into these enormous costs which hurt the consumer and the Nation.

Senator NICKLES. Has that bill been introduced?

Secretary HODEL. Yes. That bill has been introduced and we have had hearings on it last year. I am told there likely will be hearings again this year for further consideration and discussion.

I think it would be a positive step. It will not in and of itself solve the problem because in addition there is an attitudinal problem with regard to nuclear energy in the country. I was very encouraged by the Time Magazine article, the cover story, that after laying out all of the problems that nuclear has—cost concerns, public response and the like—the conclusion of that article is I think absolutely right, and that is the balance of a mixed energy base for this country is going to require a component of nuclear in the future, and we need to move ahead.

Senator NICKLES. I would concur with that, and I would encourage you in your efforts. That bill has now been put in the Judiciary Committee?

Secretary HODEL. Environment and Public Works; Senator Simpson has held hearings before and has talked about additional hearings this year.

Senator NICKLES. Thank you. Another question, somewhat along the same line of our energy policy, in regards to taxation, and again most people would say yes, we want to decrease imports, encourage domestic production, but we still have a very punitive tax on domestic production called the windfall profits tax. We have no similar tax on imports.

I am not suggesting that we just have the tax on imports, but there is an inequity that does encourage imports and discourage domestic production. That does not make good energy sense and I don't think it makes good tax sense.

We have heard proposals being bandied about, you know, revenue raisers, across-the-board excise taxes ranging up to $5 a barrel on all oil, domestic and imports.

Let me reiterate my statement to you probably for the fourth time that there is a real inequity that exists today, and that tax I think last year raised $13 billion. That is 13 billion on domestic production, not on imports, and if you figure that out on a per barrel basis, for 1982 I figured it out, it was $6 per barrel on the lower 48 States, so you are giving that much of an advantage for the imports— a real inequity and real poor energy policy.

I hope that we will consider eliminating that inequity if there is going to be an energy tax of some type, a consumption tax or whatever, that we will eliminate that inequity to where we don't encourage imports over domestic production, and I am not sure that some of the proposals that I have seen from Treasury have even considered that there was a windfall profits tax, that there is this inequity that exists today, and it is really kind of appalling to see this continue. We should, we could easily make some changes.

Secretary HODEL. Senator, I am sure you heard as I did when we talked about natural gas decontrol last year that we could not move toward natural gas decontrol of old gas without considering a windfall profits tax.

I think, as a result of the discussions before this committee and other committees of the Congress with regard to the impact of a windfall profits tax being anticonsumer, that we have not heard those rumbles with regard to natural gas decontrol.

I wonder if a windfall profits tax on natural gas would be anticonsumer, why isn't a windfall profit tax on oil also anticonsumer?

Senator NICKLES. It is anticonsumer, and it is also anti—you mentioned a buy America provision or cargo preference where we have to ship on American bottoms which I never have been in favor of that type of philosophy because it is a very expensive philosophy. I don't think that American domestic industry needs an advantage over the imports, but I would like to see it be on a level plane.

We are not on that, and I would hope in whatever policy that comes out of Treasury that we have trying to, quote, raise money from the energy sector, end quote, that we would eliminate the inequity that we have today. I can promise you some strong opposition if it accelerates the inequity that we have today. A lot of people have assumed this across-the-board energy tax will be something that will fly through the Congress.

I can tell you that it won't fly through Congress if we are not able to eliminate some of these inequities, and certainly we don't want to accelerate these inequities.

I am really concerned. For some reason I think my energy bill, when I am looking at a $200 and $300 fuel bill per month, is almost high enough, and to talk about these excise taxes on top of this, the American people are going to rise up in a riot when they see these things going through.

For some reason I don't know, either from the energy policy standpoint or from the revenue standpoint, people have been assuming that that is something that will just happen and can go through fairly quickly, and I question that.

Secretary HODEL. Well, Senator, to the best of my knowledge, we are not proposing any energy taxes. I have opposed them as a matter of energy policy again. I don't make tax policy in this country, but from an energy policy standpoint, I don't think they are good policy.

My understanding is we are not proposing them, so if somebody is proposing them, presumably it is not an administration proposal. I think as far as I can tell at this point that the President and the Administration stand where you stand on imposing additional taxes on the consumer.

Senator NICKLES. One time it was part of a standby proposal for the out-year.

Secretary HODEL. We do need to recognize, and I know you do, but for the people who are listening to this discussion, that the contingency tax that was proposed as a fee per barrel of oil, was to be imposed in the event that a series of events occurred, one of which was acceptance by Congress of the administration's total budget package, which last time I checked hadn't occurred. Also, there were very distinct conditions attached.

We have no current proposal of that type, and they were in fact considered and rejected.

Senator NICKLES. Could you provide me how much or to what extent the cargo preference item does affect our importing as far as SPRO is concerned?

Secretary HODEL. When you say how much it affects, how much of our cargo is imports?

[The informaton follows:]

COSTS FOR STRATEGIC PETROLEUM RESERVE COMPLIANCE WITH THE CARGO PREFERENCE ACT

Under the Cargo Preference Act of 1954 and implementing agreements between the Department of Energy and the Department of Transportation, the Strategic Petroleum Reserve uses privately-owned U.S.-flag vessels for at least 50 percent of the long-ton miles of ocean transportation for crude acquired to fill the Reserve.

Differences between U.S.-flag tanker costs and foreign-flag tanker costs vary widely, depending on the transportation distances, cargo quantities, market conditions, and other factors. The SPR has experienced differentials ranging from $0.25 to $3.65 per barrel delivered to the Reserve. On average, the Department is projecting a cost differential in FY 1985 of $1.29 per barrel, between the Federal government cost for oil delivered to the SPR and the average cost of imported oil delivered to U.S. refiners. This difference is due almost entirely to compliance with the Cargo Preference Act in the Strategic Petroleum Reserve program.

Senator NICKLES. I wasn't aware there was a cargo preference provision in dealing with SPRO, and what I am looking for is that cost. Then one additional piece of information—does DOE still have charge of a couple of the synfuel projects, SRC–I or II?

Secretary HODEL. We have the Great Plains coal gasification project which is still going on. All negotiations are going on between them and the SFC for additional financial support.

Senator NICKLES. Would you give me a letter on the status of where that plant is, the amount of investment, et cetera, or any of the synfuels plants that are still under DOE?

Secretary HODEL. OK.

[The information follows:]

STATUS OF DOE SPONSORED SYNTHETIC FUEL PROJECTS

The Great Plains Coal Gasification Plant (GPCGP) is the only active synthetic fuels project sponsored by DOE. In addition to GPCGP, DOE is conducting the SRC-I post baseline design and close out activities. DOE also provides planning, technical and data exchange assistance to the Synthetic Fuels Corporation (SFC). Also, the Department sponsors a program of generic Fossil Energy R&D including the development of data bases and new concepts relevant to the production of synthetic fuels.

GPCGP, located in Beulah, North Dakota, is the nation's first commercial high-Btu coal gasification project. The total project cost is estimated to be $2,112,703,000. DOE is guarantor of a Federal Finance Bank loan of up to $2.02 billion (or up to 75 percent of the total project cost) made to the Great Plains Gasification Associates (GPGA), a consortium of five natural gas companies sponsoring the project. The project is more than 90 percent constructed and is on schedule and under budget. Gas production is scheduled for startup this summer and full production is expected in December 1984.

In response to the Synthetic Fuels Corporation's (SFC) January 5, 1984, solicitation for Coal or Lignite Gasification Projects, GPGA submitted a request for price supports. GPGA has indicated that they may terminate their participation in GPCGP unless the SFC support is provided. GPGA has deemed price supports to be necessary due to revised world oil projections which, if correct, could result in substantial after tax losses to the project in the 1980's and 1990's.

In 1983, DOE completed the SRC-I demonstration plant baseline design activity and has since begun post baseline design activities and close out activities. The post baseline design activities are funded by prior year appropriations and will be completed by September 1984, with the exception of toxicology R&D which will end in February 1986. The SRC-II project was terminated July 2, 1981, and final closeout is due after final audits are completed in June of 1984.

DOE provides specific additional assistance to synthetic fuel projects through its coordination with the SFC in conducting Environmental Monitoring Plans (EMPs). Since July 1982, DOE has provided both formal and informal consultation to SFC project sponsors on development of EMPs, outlines, the EMP Guidelines, and associated program activities as mandated by the Energy Security Act (P.L. 96-294) Section 131 (e). During this time, DOE/FE has established review teams consisting of the Energy Technology Centers and the National Laboratories, and has formally commented on the adequacy of approximately 35 separate EMP submissions involving 23 different proposed projects.

DOE/FE is currently working with SFC in establishing goals, objectives, and strategies for the management and exchange of technical, environmental, health, safety, and socioeconomic information developed under DOE/FE synthetic fuels programs. Further, this activity includes the management and exchange of information developed under SFC projects.

DOE also provides generic R&D support for synthetic fuels projects through the Office of Fossil Energy activities in Coal Liquefaction, Underground Coal Gasification, Surface Coal Gasification, Oil Shale and the Tar Sands subactivity.

Senator NICKLES. And one final piece of information—would you provide for me, or for our subcommittee, information, and it may be in the budget that you have submitted on behalf of the Department or the administration, regarding the total investment that has been made, and where we stand on the payback on each one of the various administrations? I have seen where the various power marketing administrations have been a considerable amount.

Well, let me see, to pick a big difference, Bonneville I show you as going, on the plus side or revenue side, to $104 million. Is that correct? Negative, $104 million for outlays?

Secretary HODEL. That could well be right. I don't have those figures in mind.

Senator NICKLES. I would like some explanation a little bit of where we stand with each one of the power marketing administrations as far as their investment, how much money they have been making. I see the outlays, but I don't see revenues here. It may be in your budget summary that I haven't examined enough, but kind of give me just a real quick review of how each one of the power marketing administrations stand nationally.

Secretary HODEL. Sure.

[The information follows:]

The following table supplies the requested information on the cumulative revenues of the five power administrations and the cumulative application of those revenues to repay the costs of production and to repay the Government's capital investment.

POWER MARKETING ADMINISTRATIONS

Cumulative Revenues and Status of Repayment as of Fiscal Year 1983[1]
(in millions of dollars)

Power Administration	Power Investment[2]	Power Receipts	Operating Expenses (O&M)	Purchased Power	Interest	Repayment Through 1983	Unpaid Investment
APA	127	58	19	2	20	16	111
BPA	8,294	8,329	1,953	3,180	2,463	638	7,656
SEPA	1,010	1,052	269	115	396	272	738
SWPA	745	1,058	268	392	340	40	705
WAPA	3,862	5,103	1,606	840	1,265	1,392	2,498
PMA Total	14,038	15,600	4,115	4,529	4,484	2,358	11,708

[1]PMA data are on an accrual basis of accounting.

[2]The power investment to be repaid includes irrigation investment for BPA and WAPA.

Senator NICKLES. I have no further questions. We will be keeping the record open and submitting some additional questions for the record as will additional committee members.

We thank you for your attendance and also for the fine job that you are doing.

The committee is adjourned.

[Whereupon, at 12:45 p.m., the hearing was recessed, to reconvene Thursday, February 9, 1984.]

[Following is a list of questions submitted to Secretary Hodel from the committee, Secretary Hodel's responses appear as appendix IV.]

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C., February 14, 1984.

Hon. DONALD PAUL HODEL,
Secretary, Department of Energy,
Washington, DC

DEAR MR. SECRETARY: On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1985.

In connection with your testimony before the Committee on February 8, 1984, enclosed are questions for the record. Your response by close of business Thursday, February 23, 1984, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (244-2566).

Sincerely yours,

JAMES A. MCCLURE, *Chairman.*

Enclosure.

QUESTIONS SUBMITTED TO SECRETARY HODEL, DEPARTMENT OF ENERGY FROM COMMITTEE ON ENERGY AND NATURAL RESURCES, FEBRUARY 14, 1984

Question 1-9, Submitted by the Majority.
Question 10, Submitted by Senator Hatfield.
Question 11-14, Submitted by Senator Domenici.
Question 15-29, Submitted by Senator Weicker.
Question 30-36, Submitted by Senator Warner.
Question 37-38, Submitted by Senator Murkowski.
Question 39-40, Submitted by Senator Heniz.
Question 41-48, Submitted by Senator Evans.
Question 49-80, Submitted by Senator Minority.
Question 81-86, Submitted by Senator Metzenbaum.
Question 87-92, Submitted by Senator Matsunaga.
Question 93-104, Submitted by Senator Bradley.

QUESTIONS SUBMITTED BY THE MAJORITY

1. Would you provide for the record a list of legislative initiatives accompanying the proposed fiscal year 1985 budget? Would you include a statement of purpose, proposed language (if available at this time but, if not, an indication of when it will be available); and an explanation of the language? Would you also indicate whether it is your intention to submit legislation and whether, in you judgement, such legislation would be forwarded to the authorizing committee or to the Appropriations Committee?

2. Would you provide for the record a list of any fiscal year 1984 supplemental or deferral requests by appropriations account?

3. Would you provide for the record a list of any current or anticipated fiscal years 1984 and 1985 recissions or deferrals pursuant to the Budget and Impoundment Control Act assumed by the proposed budget for fiscal year 1985; copies of the relevant budget justifications; and the status of such proposed actions?

4. Would you provide for the record a list of fiscal year 1984 reprogramming actions, copies of the letters of transmittal to the Congress, and the status of such reprogrammings?

5. The DOE proposed budget indicates estimated fiscal year 1984 and 1985 savings that are to be acheived by management initiatives.

a. What is the specific nature of these management initiatives?

b. By appropriations account, would you provide for the record the assumed fiscal year 1984 and 1985 savings?

c. If these savings are not achieved, will the DOE support appropriation of the full program budget authority indicated in the budget, or will the programs be asked to absorb the estimated savings not achieved?

6. Similarly, the DOE proposed budget estimates adjustments due to prior year balance.

a. What is the nature of these adjustments?

b. By appropriations account, would you provide for the record the assumed fiscal year 1984 and 1985 adjustments?

c. If these adjustments are not realized, will the DOE support appropriation of the full program budget authority indicated in the budget, or will the programs be asked to absorb the adjustments for prior year balances not realized?

7. You have proposed that the Petroleum Overcharge Fund monies now in escrow, or expected to be placed in escrow, be used to fund certain energy conservation programs of the Department of Energy, and the fuel assistance program within the Department of Health and Human Resources.

a. When can we expect to receive that legislation?

b. Please provide a projection of escrow funds available in FY84, FY85, and FY86, including a breakdown of that portion that would go to HHS and the amount that would remain in DOE.

c. Would the Administration support appropriations for these energy conservation programs in the event that this legislation does not pass in time?

d. If the legislation passes in time and there are insufficient monies available in the Overcharge Fund to support the authorized amounts, will the Administration support appropriations for the General Treasury to meet the difference?

8. There have been press reports that the Saudis are building Seaborne Emergency Oil Storage. What is your understanding of the status of this effort and the amounts of oil that are involved?

9. There is a need to assure that the SPR oil is introduced into the market that it in fact reaches the eventual users during the energy emergency.

a. What is being done to assure that SPR oil is not hoarded or speculated with?

b. What specific actions are being undertaken in connection with the standard sales contract, or otherwise to deal with those situations that affect public health and safety, or jeopardize the planting or harvesting of agricultural crops?

9A. Mr. Secretary, in your earlier testimony, with regard to the issue of whether or not the Department will publish final entitlements lists, you stated that "We have considered a wide range of issues on this whole entitlements list publication and the decision not to issue the final close-out list was not easily or lightly arrived at." In view of this statement, am I correct in assuming that you have now made a final decision not to publish those lists?

QUESTIONS SUBMITTED BY SENATOR HATFIELD

10. Your FY 1985 budget request contains $252.2 million to continue the Low-Income Weatherization Assistance and Schools and Hospitals programs. These programs, and the Low-Income Energy Assistance Program, funded through Health and Human Resources, will be paid for by funds appropriated through the Petroleum Overcharge Restitution Fund, which DOE will ask Congress to enact. I have a number of questions regarding this proposal:

a. How many separate court settlements are there to date, which require some type of disbursement of oil overcharge funds? Please provide a list and decisions by the court as to where the funds are supposed to go.

b. How much is currently available in the petroleum overcharge fund and how much do you expect to be available at the beginning of FY 1985?

c. In the future, if Congress established this fund, what would happen if a court decided to appropriate the funds in a future settlement to different recipients?

d. Please explain why the Warner amendment is not sufficient to dispurse the funds now available. Shouldn't states be given the choice as to where to spend the funds, as directed under the Warner amendment?

e. Why does DOE propose not to fund the SECP and EES programs with this fund? Doesn't that defeat the purpose of the legislation?

QUESTIONS SUBMITTED BY SENATOR DOMENICI

11. The federal personnel available for program direction in the breeder reactor systems program is reduced from 189 in FY84 to 122 in FY85. What will be the impact of this reduction on the orderly termination of the Clinch River Project? What are the current programmatic responsibilities of the 67 federal employees that you plan to remove from the management of the breeder reactor systems program?

12. What is the dollar value of the international collaboration that is mentioned for the breeder reactor systems program?

13. The 1985 request for breeder reactor systems has a dramatically changed account structure that includes both the base breeder program and the nuclear fuel cycle activity. Could you provide the reasoning behind combining what is essentially a reactor development program, i.e., the base breeder program, together with what is programmatically a fuel cycle program. While both the fuel cycle program and the breeder base program share similar objectives, they are programmatically very different, which is why I would like you to present your thoughts on this matter.

14. In the FY85 budget, the base breeder technology program is reduced from $117 million in FY84 to $85 million in FY85. It appears as if this 27% reduction in the program will have dramatic impact on the infrastructure that supports the base breeder program. Please provide additional detail as to the impact on these reductions on program content and on the staffing at the national laboratories.

QUESTIONS SUBMITTED BY SENATOR WEICKER

15. Under the Department of Energy's new regulations for the low-income weatherization program certain furnace retrofit or improvement measures will be permitted. Are much measures to be made available to houses which have already received an initial weatherization assistance?

16. As part of the Department of Energy's program evaluation of the low income weatherization program, a study is being conducted of fuel usage before and after the weatherization of a house. When do you expect the results of this study to be available?

17. How soon do you expect to fill the vacant position of Assistant Secretary, Conservation and Renewable Energy?

18. In response to a question raised during the 1983 oversight hearings then-Assistant Secretary Tribble stated that, "The Department will conduct an inquiry to attempt to determine the current level of conservation by the private sector, including examination of data collected by the National Science Foundation." Has this study been completed, and if so would you make it available?

19. Last year at this time, the Department confirmed that 80% of the eligible schools and 78% of the eligible hospitals had not received energy audits through DoE's institutional buildings program. What are the comparable figures now? What per cent of these buildings have received funding for the "energy conservation measures" phase of the program?

20. Last year the Department completed its district heating/cooling assessment program. What steps are being taken to ensure that communities are aware of the results of this study? What steps might the Federal government undertake to expand and/or accelerate the use of district heating/cooling?

21. With respect to the Schools and Hospitals program, your budget request notes the need for projects to remove regulatory barriers to energy conservation. Which barriers? What "projects" does the Department have in mind?

22. The GAO has recommended better electrical transmission linkage between the Pacific Northwest's very cheap hydropower and the Pacific Southwest. Such a linkage would displace current oil and natural gas consumption. Will the Department encourage and help formulate such a linkage agreement?

23. The Grace Commission made numerous recommendations with respect to potential cost reductions, cost avoidance, revenue enhancement and revenue acceleration within the Department of Energy.

A) Which, if any, of these recommendations have you acted upon to date? What will be the budgetary impact?

B) Which, if any, of these recommendations do you expect tc institute during calendar year 1984? What do you anticipate the budgetary effect to be?

C) Other than those recommendations which require Congressional action, what actions suggested by the Grace Commission do you feel are not possible to institute?

24. It is clear from Section 205(d) of the Department of Energy Organization Act that Congress intended that the Administrator of the Energy Information Administration be independent and free from policy or political influence. Are you satisfied that this independence is being observed?

25. What is the status of the following 2 EIA publications; "Sales or Fuel Oil and Kerosene" and "Sales of Liquified Petroleum Gases"?

26. During EIA oversight hearings last year, EIA submitted to the Committee a list of quality maintenance investments required to ensure the continued quality of EIA's data. These investments came to a total of $5.1 million. After two years of no investment whatever in quality maintenance, your budget proposes $2.0 million for this activity. Are you personally confident that foregoing the additional $3.1 million will not effect the quality of EIA's data?

27. Last year there was a substantial reprogramming of EIA funds due to inaccurate assumptions by the Office of Management and Administration. Evidently, another reprogramming of EIA funds will be necessary this year and for the same reason. Has the Office of Management and Administration undertaken studies of other elements of the Department to see if changed personnel levels require reprogramming elsewhere in the Department?

28. Evidently, the Department intends to propose that the State and local energy conservation grants program be funded through a petroleum overcharge fund. And yet although no such legislative proposal has been submitted to Congress your budget also clearly states that; "The request for appropriation for these two programs in contigent on enactment of this legislation."

Would you cite other Departmental programs whose funding was made *contigent* upon enactment of new legislation subsequent to Congress having authorized such programs?

29. During his confirmation hearings in July, 1983 Undersecretary Collins stated: "No matter how much we spend on Federal research and development projects, many of them may not be utilized unless we can be confident that there are effective systems for the transfer of the technology made available by the Federal efforts. I am quite alarmed when I hear, as I have, that at least portions of the private sector, particularly small enterprises, simply do not know about the results of the Federal effort or even how to go about obtaining the information . . . I am determined to make a major effort in this regard."

For FY '85 the DOE budget proposes no funding for the Energy Extension Service (EES). As you know the principle purpose of the EES is; "(a) Establish as positive energy outreach program directed toward small businesses and individual energy users and the organizations that influence their energy consumption."

Yet, while EES has been proposed for no funding in FY'85, DOE has proposed fairly significant increases in technology transfer phases of many of the conservation R&D programs. Unhappily, by the Administration's definition, such R&D programs are only for "high risk, long-term" investments, therefore logically these are R&D undertakings of little or no immediate consequence to the small business enterprise. Thus, it appears that there is some conflict between Undersecretary Collins' earlier confirmation hearing statement and the reality of your budget proposal. Why has the DOE lost interest in attempting to put energy conservation information in the hands of the small business? Might it not make sense to consolidate the present EES and your various technology transfer programs into one organization dedicated to effectively communicating and marketing energy conservation data?

QUESTIONS SUBMITTED BY SENATOR WARNER

30. I am concerned by the reduction in the Department of Energy's Coal Waste Management budget. Could you please explain the basis for this reduction and what activities will be discontinued as a result of the funding cut?

31. I support an aggressive R&D program for coal-to-liquid fuel conversion. Your '85 budget request reduces funds for coal liquefaction by 52%. Can you explain the basis of this dramatic decrease?

32. The Control Technology and Coal Preparation line item is up 23% for 1985. I interpret this as a step in the right direction for increasing our coal consumption and putting our miners back to work. Would you please give us a brief summary of the present and new work that will be accomplished with this added money?

33. I commend you for including in your FY 1985 budget request support for a 4 GeV continuous electron beam accelerator facility (CEBAF) to be developed by the Southeastern Universities Research Association (SURA) in Newport News, Virginia.

In FY 1985, $5 million is requested for research and development and $2 million to initiate construction. This will supplemental the $2 million in research and development for FY 1984, which I hope the Department of Energy will be releasing shortly.

I think this Federal commitment is particularly significant in light of the reluctance to fund new projects because of Federal budgetary constraits. The commit-

ment to CEBAF is a reflection of the high quality of the proposal and the importance the scientific community attaches to the project.

The SURA proposal was selected after an extensive peer review. A December 1983 report by the Department of Energy/National Science Foundation Nuclear Science Advisory Committee entitled "A Long Range Plan for Nuclear Science" echoes this strong peer support for CEBAF. Let me quote briefly from the report:

"The new 4 GeV electron facility is clearly the major near-term new initative in nuclear physics. Its completion is eagerly awaited by our community. We reaffirm our earlier recommendation for the earliest possible start on the construction of a natinal electron accelerator laboratory."

SURA requested $12 million for FY 1985 construction as opposed to the $2 million recommended by the Administration. I am closely examining the construction request to determine the amount that is essential to maintain reasonable progress with the CEBAF project. I hope you will work with me and the Appropriations Committee to make certain that the project stays on schedule?

34. I appland the President for proposing increased funding for environmental control in his budget submission to Congress. As a representative of the 6th largest coal producing state in the nation, I strongly support the increased use of America's greatest natural resources—coal. However, I am cognizant that this resource must be utilized in the most environmental responsible manner possible.

The President, in his State of the Union message, outlined efforts the Administration is undertaking to study the effects of increased coal consumption. Please detail for this Committee what your Department is doing to comply with the President's directive on acid rain research and control.

35. In the past, DOE has concentrated its R&D funds on those technologies it felt private industries would not pursue because of potentially higher risk or long-term paybacks. In light of the FY 85 $15 million appropriations for the TVA atmospheric fluidized bed project, has there been any change in the DOE's philosophy on demonstration projects?

Under what conditions might industry expect help when it comes to introducing a new technology to the marketplace as opposed to R&D.

36. Mr. Secretary, I note with interest the inclusion of money for the administration of the Residential Conservation Service Program and the Federal Standby Program. As you know, Virginia specifically chose not to implement RCS under a state plan because it found the program overly burdensome and costly. I understand that at least seven states other than Virginia also have not submitted state plans. My understanding of the law is that these states will be forced to implement this program this year under the federal standby authority. Preliminary analysis indicates this program could cost Virginia consumers close to $5 million in added utility costs to implement.

a) I understand that the Regulatory Relief Task Force, headed by Vice President Bush, recommended the repeal of RCS and that the DOE supported that recommendation. In fact, my information is that the Department of Energy requested zero appropriations for RCS in FY 82, 83 and 84. Does the inclusion of $1.3 million in this year's budget indicate a change in philosophy? Does the DOE support repeal of RCS?

b) I understand that DOE has completed an evaluation of RCS based on the experience of those states which have implemented the program. Would you provide this Committee a summary of that evaluation to be submitted for the record on these hearings?

c) A related program, the Commercial and Apartment Conservation Service Program (CACS) is also stated for implementation this year. What is the DOE's position on moving forward with implementation of CACS?

QUESTIONS SUBMITTED BY SENATOR MURKOWSKI

37. The Department of Energy's detailed budget documents provided to the Committee included a notation (page 26, volume 5, DOE/MA-0064/2) which listed the transfer of the Alaska Power Administration (APA) to the State of Alaska as an objective for fiscal years 1985–1989.

a. What indication have you received from the State of Alaska that it might be willing to purchase or otherwise acquire the APA?

38. The Department of Energy has proposed budget cuts in areas directly affecting the State of Alaska. Could you please provide me with the rationale for the following cuts:

a. Coal technology and coal preparation (Alaska): FY 84 Obligations, $53,000; FY 85 Obligations, 0.

b. Energy Conservation, total (Alaska): FY 84 Obligations, $1,555,000; FY 85 Obligations, $100,000.

QUESTIONS SUBMITTED BY SENATOR HEINZ

39. In view of your commitment in your prepared statement to research and development into a number of promising synthetic fuels technologies, specifically coal liquefaction and gasification, I note that these two programs had a combined appropriation of $65 million in FY '84. However, for FY '85, the total is only $29 million, a reduction of nearly 60%. How can such a massive reduction possibly be consistent with the stated Department goals of advancing these technologies?

40. While fiscal responsibility is most important in view of the current budget deficit, how can the slashing of the coal research activities, noted above, which involve over one half of the budgets but only $36 million, be justified in view of the addition of $1.1 billion to the Energy Department defense activities or the $1.5 billion requested for the Strategic Petroleum Reserve? The vast cuts to the coal liquefaction and gasification programs amount to less than 2% of the additions to the other programs, and I suggest this situation should be reevaluated.

QUESTIONS SUBMITTED BY SENATOR EVANS

Breeder

41. Your FY 1985 budget has proposed a drastic cut of over $100 million for breeder reactor R&D. I can understand the elimination of funding for the Clinch River Breeder, but I cannot accept the need to scrap into funding for breeder reactor systems. Your policy seems to be heading in that direction.

a) is this Administration, over the long-term committed to a consistent program of support for breeder R&D? If so, could you provide us with some details on your strategy and schedule? b) If you do not have a coherent plan, can you assure us that the Department will work closely with members of this Committee to develop such a plan?

42. Your FY 1985 budget reduces funding in the nuclear fuel cycle portion of breeder R&D by $20.4 million. Specifically, these cuts will eliminate design and equipment development activities for the Breeder Reprocessing Equipment Test (BRET) and the Fuels and Materials Engineering Facility (FMEF).

a) How does the elimination of BRET and FMEF affect the effectiveness of the overall breeder R&D plan?

b) If the oxide fuels work at HEDL cannot be continued at 1984 levels, is it possible to build on its expertise in the gas-cooled reactor fuel (thorium) area to maintain the staff in the facility and draw upon their expertise?

c) It has been estimated that the job loss at HEDL will be in the 400–500 range. Could you provide the Committee with your estimates of cutbacks (budgeted funds and jobs), *by specific facility,* throughout the country?

43. With the cutbacks in the breeder program, you seem to be advancing the concept of an international division of labor hereafter. I.e., France and U.K. will provide operating expertise; the U.S. will provide know-how on the fuel cycle.

a) Is the above an accurate description? How are your negotiations proceeding to involve foreign countries in such international projects?

b) What sort of specific projects do you envision as feasible—infusions of funds and researchers to existing facilities within the U.S., or other alternatives?

Conservation

44. There seems to be a reduced emphasis on conservation activities in the FY 1985 budget. While it is true that there is a temporary oil oversupply today, I believe that at some point in the future we will face another tight oil market. You (Sec. Hodel) have stated, before this Committee and elsewhere, that energy conservation should be regarded as a source of energy.

Can you provide the Committee with a list of the results of your current conservation activities in terms of how much oil is saved (BOED)? (Please break down by grants and potential savings through R&D).

Environment

45. Current energy costs do not reflect the real cost of energy because they do not include such factors as environmental costs. If costs that are now considered extraneous (such as acid rain for coal combustion and permanent nuclear waste storage for nuclear energy) were included in total energy costs, I believe that relative energy prices would be considerably altered.

Has the Department developed such estimates? If not, could you provide to the Committee your best estimates of such costs? (Please specify the type of environmental technology that you base your calculations on).

Bonneville power related

46. On October 18, 1983, Senator Nickles, Chairman of the Subcommittee on Water and Power, requested administrative comments on an amendment to S. 1027 which would provide for fish mitigation activities in the Yakima River Basin. Shortly thereafter, the Bureau of Reclamation responded favorably to Sen. Nickles' request, and endorsed the legislation. Unfortunately, Sen. Nickles has yet to receive comment from the DOE or BPA. Could you inform me when to expect administrative comment from your Department on this legislation? (attached is a copy of the letter from Acting Commissioner Klostermyer endorsing the Amendment to S. 1027).

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF RECLAMATION,
Washington, D.C., October 21, 1983.

Hon. DON NICKLES,
Chairman, Subcommittee on Water and Power, Committee on Energy and Natural Resources, U.S. Senate, Washington, D.C.

DEAR SENATOR NICKLES: This responds to your letter of October 18 requesting our comments on an amendment to S. 1027, proposed by a spokesman from the Pacific Northwest at the September 14 hearing, which would provide for fish mitigation activities in the Yakim River Basin in Washington.

We generally endorse the draft legislation which deals exclusively with proposed fish passage and protective facilities and would provide the needed authority for the Secretaries of the Interior and Energy to cooperate in this undertaking. S. 1027 as introduced would have to be modified somewhat since it now includes reference to fish passage and protective facilities. Dividing the bill into two sections, with section 1 dealing with the reregulating reservoir and section 2 with the fish passage and protective facilities may be appropriate. The crediting provisions of S. 1027 should be applicable to both the reregulating reservoir and the fish passage and protective facilities as we have previously advised. Please note in this regard that section 7 of the draft legislation provides for such crediting.

Specific comments for your consideration of the draft legislation are as follows:

Section 6.(a)—We suggest that section 6(a) be revised to read as follows:

"Sec. 6.(a) There is hereby authorized to be appropriated to the Secretary of the Interior (1) such sums as may be necessary to plan, design and construct fish facilities, in the *Yakim River Basin* and all costs associated therewith shall be nonreimbursable and nonreturnable under the Federal Reclamation Laws; *Provided,* that the plans and designs of each fish facility shall be approved by the Secretary of the Interior prior to initiation of construction of that measure; and (2) such sums as may be necessary to operate and maintain fish facilities at Federal and nonfederal works."

Section 8(b).—Section 4 provides that the facilities shall be features of the Yakima Project. Section 8(b) provides that the facilities shall become integral parts of the Yakima River Basin Water Enhancement Project (YRBWEP) if such a project is authorized. Perhaps it would be more appropriate to cover the integration with the YRBWEP in later authorization. Therefore, section 8 should be revised to read as follows:

"Sec. 8. Notwithstanding the authorization provided in this Act, the feasibility study authorized by Public Law 96-162 shall continue to include fish facilities as elements of that study."

If you have any further questions regarding this matter, please contact us.

Sincerely yours,

WILLIAM C. KLOSTERMEYER
(For Robert N. Broadbent, Commissioner).

47. The FY 1985 budget request for the BPA includes $27.1 million to meet Bonneville's fish and wildlife responsibilities under the Northwest Power Act. BPA's activities in FY 1985 include development of fish passage improvement in the Yakima River Basin. Its budget request states that "in addition to regular funding for these measures, BPA has included in the FY 1985 budget borrowing authority to fund initial development of fish passages and screening improvements at three irrigation dams on the Yakima River." Please describe the specific activities planned for the Yakima Basin in FY 1985.

48. BPA's budget request suggests that it assume funding responsibility beginning in FY 1985 for the operation and maintenance of the 24 Mitchell Act Hatchery facilities, located in the Columbia River Basin. These hatcheries have been funded in the past through the National Marine Fisheries Service as part of the Columbia River Fisheries Development Program. BPA now requests $8.2 million to assume funding for the Mitchell Act Hatchery Facilities. To what extent do you believe that the ratepayers of the Pacific Northwest should assume these costs? What is the estimated impact on rates of this proposal?

QUESTIONS SUBMITTED BY THE MINORITY

SPR

49. Many people are concerned about the state of management of the SPR, given the importance of that program. As we understand it, Assistant Secretary Vaughan is responsible for filling the SPR, Assistant Secretary Merklein is responsible for drawing it down, and Joe LaGrone, Operations Manager at Oak Ridge is responsible for day to day operations. Also, we understand that there have been more than two dozen resignations from the New Orleans SPR office since the reorganization which moved control of operations from New Orleans to Oak Ridge. You have control of the SPR split in several directions, both managerially and geographically, and there is clearly a severe morale problem in New Orleans with the people who have the expertise to actually run the SPR program. Are you concerned about this situation?

50. How many people have resigned from New Orleans SPR office since the reorganization that gave control over operations to Oak Ridge?

51. Have you reviewed the portion of the Grace Commission Study which dealt with the SPR? They did not support the use of interim storage, but they appeared to support a fill rate of 220,000 b/d, did they not? They did not suggest nor recommend in their report that the fill rate should go below 220,000 b/d, did they?

52. If you could avoid the imposition of price and allocation controls on the general economy in a severe oil supply disruption by allocating oil from the SPR, would you consider doing so? What differences do you see between the U.S. Government allocating money to sectors of the economy hardest hit in an oil supply disruption and the U.S. Government allocating its oil from the SPR to those regions which need it most?

53. What are your views on the recommendation of the Grace Commission Report that facilities, construction and operation of the SPR should become a GOCO (Government Owned Contractor Operated) activity?

54. Is it true that OMB recently proposed that the quality of oil purchased in the future for the SPR should be downgraded so that sweet crude would comprise 24% of the oil instead of 35%? What happened to this proposal? Is this subject still under review? By whom?

IEA antitrust defense

55. It has been reported that the Department has been told by the oil companies that they cannot participate in certain activities of the International Energy Agency unless the limited antitrust defense provided by section 252 of the Energy Policy and Conservation Act is extended. In the first session of this Congress you indicated that the President would veto such an extension if mention were made in it of price and allocation controls as had been proposed by Senator Metzenbaum.

a) Do you think that the IEA can function adequately during periods when oil markets are behaving normally without the section 252 defense? What about periods when oil markets are substantially disrupted?

b) Would you still recommend a veto of legislation extending section 252 if that legislation contained Senator Metzenbaum's language?

c) If so, please explain how you hope to obtain the participation of U.S. oil companies in IEA activities without section 252.

d) Do you believe that the Metzenbaum language confers substantive authority to impose oil price or allocation controls?

e) If so, explain how.

f) If not, and presuming you consider the smooth functioning of the IEA to be important to the U.S., why couldn't we live with these words in order that the mechanism of the IEA will remain available?

Oil overcharge moneys

56. Your FY 1985 budget request contemplates funding of the Low-Income Weatherization Program and the Schools and Hospitals Weatherization program from a "Petroleum Overcharge Restitution Fund" to be established in the Department of

Health and Human Services under legislation that has yet to be enacted, or, for that matter, transmitted to Congress.

a) How much money is currently available for such a fund? What is your estimate of the amounts that will become available to the fund in future fiscal years, assuming your legislative proposal is enacted?

b) How do these amounts compare with the amounts available in FY 1984 for the programs you intend to support from the Fund?

c) When monies in the Fund are exhausted will the Administration support further appropriations to finance the relevant programs, or will these programs then be proposed for termination?

d) In view of the importance of these programs to those in our society who are least able to cope with high energy prices, wouldn't it seem prudent to simply appropriate the necessary amounts from general revenues and, when the authorizing legislation passes, rescind the unused budget authority? If not, why not?

e) If the legislation to create this fund is not enacted will you request sufficient appropriations to make up the difference? Congressional staff were told in a recent budget briefing that if the legislation you describe is not enacted, then DOE will not seek to fund these programs from appropriated funds.

f) At a budget briefing the DOE General Counsel Ted Garrish stated that he believes that DOE already has the authority to fund the energy conservation grant programs using petroleum overcharge funds, but that he would recommend to you that DOE hold the funds in escrow until the legislation establishing the fund is enacted. Do you intend to follow that advice?

g) Even if the legislation is enacted your budget book concedes that there might not be enough funds available to support these programs. The budget book says, "If receipts deposited into the fund are insufficient, the balance of the budget request for the Weatherization Assistance and Schools and Hospitals Grant programs will be derived from the general fund of the U.S. Treasury." What does this mean? Does this mean you would seek supplemental appropriations? How long would this take? How long can recipients wait for low-income energy assistance grants to pay heating bills?

Federal Energy Regulatory Commission fees

57. Your FY 1985 budget request assumes FERC will collect $60 million in fees, annual charges and other revenues to offset a substantial portion of the cost of operating the agency.

a) How much did FERC actually collect from these same sources in FY 1983? How much has been collected so far in FY 1984?

b) Isn't the $60 million estimate predicated on the enactment of legislation by Congress to allow FERC to generate more revenue from fees?

c) If that is the case, wouldn't it be more prudent to appropriate sufficient funds to operate all FERC programs for the fiscal year and provide in the legislation that the revenues be returned to the Treasury?

d) That is, does it make sense to have the cash flow of an agency like FERC, which must make timely decisions to permit the orderly operation of certain very important sectors of our system of energy supply, dependent on the rate and timing of receipts from fines and licensing applications? If this does make sense in your view, please explain how you envision management at FERC will plan their cash flow.

e) In the event that legislation permitting FERC revenues to increase is not enacted, or if, for any other reason, actual revenues are significantly below your $60 million estimate, what will be done to permit FERC to pay its bills?

Nuclear waste

58. Projected revenues for the Nuclear Waste Fund, which is supposed to provide for the implementation of the Nuclear Waste Policy Act of 1982, are substantially below the levels the Department estimated just last year. For example, projected annual revenues are: for FY 1984, down by $138 million; for FY 1985, down by $104 million; for FY 1986, down by $96 million; and for FY 1987, down by $87 million, relative to the estimates you published with the FY 1984 budget submission.

a) What is happening to these revenues? Should we have confidence in the current estimates? To what precision?

b) At what point would the Department consider recommending an increase in the 1.0 mill per kilowatt hour fee that provides these revenues?

59. Please provide the Committee with a status report on the repository and the monitored, retrievable storage programs under the Nuclear Waste Policy Act. This report should include a schedule of decisions and actions that the Department ex-

pects to take during the next two fiscal years and a discussion of the uncertainties in each entry in this schedule.

Acid rain research

60. We understand that the DOE FY 1985 budget request contains a grand total of $66.06 million for work related to acid rain. Is that correct?

61. Of that total the DOE Fossil program contains $57.4 million of the DOE total for acid rain. Is that correct?

62. However, just looking at the budget books and relying on briefings provided to staff it appears that a lot of that money is simply continuation of ongoing work, such as development of fluidized bed combustors. In fact, of the $57.4 million attributed to acid rain research in Fossil Energy it appears that this represents at most only about $8 million more than what is being spent on these same projects in FY 1984. Would you tell us how much additional money is contained in your budget for acid rain research over and above that included in FY 1984? Would you provide an item-by-item breakdown of what that new money will be used for?

63. Given the priority which President Reagan apparently attaches to addressing the acid rain problem with adequate research before committing to an emissions control strategy, how do you justify a 22% cut in the budget for Fossil Energy Research and Development?

Management initiatives

64. Your FY 1985 proposed budget assumes a savings in this budget of $96 million in management initiatives, is that correct?

65. Your budget request assumes that this $96 million will be saved, so that to the extent that these management initiatives are not all successful then you will not have sufficient funds to carry out your programs, is that correct?

66. Who initiated these management initiatives in you budget?

67. If these management initiatives are not entirely successful then would you seek a supplemental appropriation to make up the difference?

68. We understand that the current attrition rate at DOE is 17%, is that correct? Do you consider that a large attrition rate? Doesn't attrition cost you a considerable amount of money in retraining new employees? Is there anything in your management initiatives that seeks to reduce the attrition rate?

69. Would you provide for the record a complete, detailed breakdown of what each of these ten categories of management initiatives are?

70. How was the decision made as to what contribution each of the energy programs would have to make in savings from management initiatives?

Energy conservation

71. Why are you not requesting any funds for the energy extension service—after all, the Under Secretary of Energy has recently made statements about the need for technology transfer to get the energy conservation technology into the private sector.

72. Why are you requesting no funds for the EPCA grants to states program?

73. Last year a group of Congressional and executive personnel were invited to visit Sweden to see how the Swedes build energy efficient homes. The Under Secretary of Energy attended this trip. One innovation which the Swedes have is that they use heat pumps to heat their homes even in temperatures at which heat pumps in the U.S. switch to electric resistance heating. They achieve this by ventilating their homes to prevent indoor air pollution and using the waste heat from the living space as the ambient air for the heat pump. We understand that U.S. manufacturers do not even offer such a heat pump. Is the DOE doing any research on this use of heat pumps? Please explain.

Implications for the deficit

74. There are a number of items in your budget request which make rather optimistic assumptions about receipts, expenditures, or the passage of necessary legislation. The overall result is that the effect of the DOE budget on the FY 1985 deficit may be understated. For example,

a) You rely on the passage of Petroleum Overcharge Legislation and the timely availability of overcharge funds to obtain as much as $238 million for energy conservation grants programs.

b) You apparently rely on the passage of legislation permitting higher FERC fees for $60 million in receipts.

c) Your budget assumes the effective implementation of 10 categories of "Management Initiatives" to save $96 million in program costs.

d) You rely on receipts for the nuclear waste program totaling $378 million for FY 1985 which is $104 million less than what was estimated for FY 1984. The point is, these revenues are apparently quite volatile.

e) You rely on revenues from uranium enrichment in FY 1985 of $1.675 billion when the U.S. appears to be priced high relative to foreign competition. In the last year you have revised your FY 1984 uranium enrichment receipts *downward* by $135 million.

Was the Department perhaps overzealous in attempting to formulate a budget that did not contribute even more to the President's proposed budget deficit? In short, is this really a realistic budget?

General considerations

75. Over half of the proposed FY 1985 DOE budget (52%) is devoted to defense and the request for the defense programs represents a 16% increase over the FY 1984 appropriations. What input did you provide in allocating the DOE budget as between defense and nondefense programs? How would you explain to the American people the necessity of a 16% increase in the DOE defense-related budget?

Uranium enrichment

76. What assumptions underlie the revenue estimates for the Department's uranium enrichment program?

a) In particular, what is the dollar price per separative work unit for U.S.-supplied enrichment services?

b) Please break this price down as to major components of cost. This breakdown should show how much is added to the cost of U.S.-supplied SWU's to cover construction costs of new uranium enrichment capacity, in particular the amount of the cost of Gas Centrifuge Enrichment (GCEP) capacity that is being carried by SWU's from each of the three gaseous diffusion plants.

77. Provide a comparison of the price of U.S.-supplied enrichment services with those of France and other significant enrichment suppliers, including suppliers in the so-called secondary market. In making this comparison please indicate how much of the differences among these prices can be accounted for simply by the weakness of other currencies relative to the dollar.

78. What precision do you attach to your estimate of revenues under the enrichment program? For example, in its FY 1984 budget submission the Department estimated uranium enrichment revenues at $2.240 billion for FY 1984. Your current estimate for FY 1984 is $2.105 billion, a difference of $135 million. Is this an indication of the precision of the FY 1985 estimate?

Sale of TVA power by DOE

79. On December 16, Senator Ford wrote to Secretary Hodel about the proposed sale of power purchased by DOE from the Tennessee Valley Authority. When do you intend to answer this letter? What is the reason for the delay?

Breeder facilities

80. As we all know, the Clinch River Breeder Reactor Project has been terminated by action of Congress. For years, this project was the focus of an aggressive Federal program to develop and commercialize the technology to create useable nuclear fuel from readily available, naturally occurring elements.

The CRBR would have converted abundant uranium-238 into plutonium-239. This latter element, which does not otherwise occur in nature, can be used to produce energy through nuclear fission, and the technology would give us an essentially inexhaustible source of electricity.

I hope we continue to contribute to the development of such an energy source. Certainly the rest of the world—Japan, France, the United Kingdom, Germany—are committed to a demonstration of the technology. Here is the U.S. we have spent a lot of money on facilities—for example, in Washington State and in Idaho—for breeder research. As a result, we are the leader in many areas of this research.

With that background I would like to request the Department to provide the Committee with a thorough analysis of the options available to us to make the best use of these facilities and the work that has been done in the U.S. program to further the development of breeder technology. This analysis should describe what you are proposing in this budget submission along these lines, and the reasons why each of the options that are not included in this budget request were rejected.

QUESTIONS SUBMITTED BY SENATOR METZENBAUM

81. As I understand it, your budget proposes to take $2 billion of oil overcharge money from the States, even though almost all of that money has been awarded by court or administrative rulings to the States on behalf of injured citizens.

Is that a correct interpretation of your budget proposal? Please explain.

82. Will the legislation you plan to submit attempt to override court rulings concerning how those oil overcharge funds should be distributed?

83. If the oil overcharge funds are not made available for distribution by DOE during fiscal 85, will the administration support funding through the regular appropriations process for the same programs (I.E. those programs which would be funded with the overcharge funds in your proposals).

A) If you do not propose to use general funds, are you proposing to eliminate all funding for these programs, or are you assuming that the administration's total budget deficits will be increased to cover funding for those programs?

84. The Grace Commission has recommended that power marketing rates be adjusted so that the federal investment is repaid in a timely manner. Specifically, it has recommended that the repayment study methodology used by the PMA's be abolished and replaced with a fixed amortization schedule. What is you position on that recommendation?

85. The Grace Commission made a series of recommendations on the PMA's. Would you identify which of those recommendations you agree with and provide a timetable for implementing them? Would you also specifically identify which recommendations you oppose and provide an explanation for your position? Please refer to each recommendation by number.

86. The Luce Report calls for a substantial federal role in the future of the WPPSS. Do you support the Luce Commission proposal's with respect to the federal role?

QUESTIONS SUBMITTED BY SENATOR MATSUNAGA

87. In December of 1982, the Department of Energy released its "Territorial Energy Assessment" which reported on the feasibility of developing renewable energy resources in the U.S. territories to reduce their costly dependence on foreign oil imports. That study made a number of recommendations for the utilization of renewables in the insular areas. Would you please provide the Committee with your general comments on the findings of the study and whether or not your Department has followed up on any of its recommendations or whether there are any plans to follow up? Would you also please indicate whether or not your Department has had any discussions with the Department of the Interior (the lead agency on the administration of the U.S. territories) on the Territorial Energy Assessment or worked in any war with Interior in relation to the energy problems of the territories?

88. With respect to the Strategic Petroleum Reserve (SPRO), at the 145,000 barrel-per-day fill rate proposed in your budget, would there be any necessity for so-called "interim storage" away from SPRO's present facilities? Undersecretary Pat Collins has indicated recently that the concept of regional storage is still under consideration by the Department. Can we assume, then, that while there may not be need for interim storage given a 145,000 barrel-per-day fill rate, this doesn't necessarily mean that the concept of regional storage will likewise be placed on the back-burner?

89. This week, *Washington Post* economic columnist Robert Samuelson made the point that oil is a worldwide commodity whose supply and demand is governed by global forces; therefore, he wrote, the only protection against inherent hazards are "diversity and depth of supply sources." Since the U.S. trade deficit from oil constitutes anywhere from 80 to 90 percent of our entire trade deficit, have you had any discussions with Treasury Secretary Regan with respect to the need to encourage greater diversity in our Nation's energy supply and lessen our dependence on foreign oil by supporting an extension of energy tax credits? If so, would you be at liberty to elaborate on those discussions? If not, is there any chance that such a dialogue could be initiated given the crucial need to improve our energy position in the coming months and years and to address our trade deficit problem?

90. While I understand that the Department's budget request contains continued funding for basic hydrogen research, I am concerned that there has been a de-emphasis on one crucial aspect of hydrogen fuel development—the use of renewable energy technologies for generation of hydrogen fuel. Clearly, hydrogen is not now a viable energy alternative and it will never fulfill its potential as the universal fuel of the future unless a less costly, less energy intensive method of producing the fuel is found. In my judgment, the answer to bringing the cost of hydrogen production

down to competitive levels in the near term is abandoning the use of fossil fuels and concentrating on the use of renewable energy technologies. Would you please provide for the record what level of research is now being done on renewable energy generation of hydrogen fuel and if there are any plans for increased emphasis in this area?

91. With respect to the basic research on hydrogen being funded under the Department's budget, while I am pleased that there has been a continued commitment to such research, it has been my perception that the effort is not integrated or coordinated. For example, funding for hydrogen research does not appear as an individual line-item in the Department's budget; it is my understanding that it is funded through several programs and offices under DOE. In view of the circumstances, would you please provide the Committee with a detailed review of what research activities are now being funded by the Department, what their funding levels are, what the source of such funding is (what programs and offices within DOE), and whether or not there is any coordination among the research programs.

92. How long does the Department intend to continue hydrogen research funding at current levels? Is any consideration being given to increasing the funding commitment toward this promising energy alternative in future years? Any time table?

QUESTIONS SUBMITTED BY SENATOR BRADLEY

Solid waste

93. Would you agree that converting municipal urban waste to energy may be a particularly attractive way to address energy conservation and environmental protection?

94. Have lower than expected oil prices dampened the enthusiansm for garbage to energy projects? Could you get me any information on progress in this area?

95. Clearly, these projects will be economic as oil prices rise. What is your best guess about oil price paths and therefore when garbage to energy programs maybe economic?

96. Are you familiar with the Energy Security Act? In particular, Subtitle B, Title II? There is an authorization for garbage to energy loan guarantees. What are the prospects for funding a small program in this area as authorized by the Energy Security Act?

97. Is there still a DOE office for urban waste? Please describe their function in detail. Would they be the office to implement any garbage to energy loan guarantee programs?

SPR

98. Under current law what is the minimum required fill rate for FY 85—isn't it 300,000 b/d?

99. The President's budget request is intended to support a fill rate of only 145,000 b/d, a 22% cut in the fill rate from FY 84 and a rate which is less than half that required by current law. Is that correct?

100. Your budget justification book on page 149 states that the Administration plans to fill the SPR at a rate of 145,000 barrels per day in FY85 in view of the cumulative fill to be achieved in FY84 and in view of "the improvements in the domestic and international energy supply situation . . ." Last week you told this Committee that you expect an oil supply disruption might be as small as the sinking of a single ship. What improvements in the domestic and international energy supply situation have occurred since passage of the FY84 budget to convince you that we can slow down the full rate of the SPR to the lowest level since the Reagan Administration took office? For example the latest Weekly Petroleum Status Report indicates that stocks of crude oil and petroleum products (excluding the SPR) are at their lowest level since the mid-1970's.

101. In arriving at the decision to request funding for a fill rate of only 145,000 b/d did you do any analysis to justify that fill rate or was this simply a budget decision?

102. In vetoing the Standby Petroleum Allocation Act on March 20, 1982, (a decision I agreed with, by the way) President Reagan noted that the Administration "continues to add to the Strategic Petroleum Reserve as fast as *permanent storage becomes* available." Does your proposed fill rate of FY85 represent filling as fast as permanent storage becomes available? What fill rate would constitute filling as fast as permanent storage capacity permits?

103. The Saudis have in a period of only a few weeks built a floating storage capacity of some 45 million barrels of oil. We understand that they are filling their floating reserve at 600,000–700,000 b/d, which indicates their level of concern about

the situation in the Persian Gulf. This compares to the Administration's projected rate of 145,000 b/d for the SPR. How is it that they can justify such a high fill rate while the Administration's proposed fill rate is so low?

104. As you know, the Appropriations Conferees for the FY84 SPR budget expressed their expectation that the program would be funded both in FY84 and FY85 so as to fill the SPR to available capacity in each of those fiscal years. How much funding in addition to your FY85 budget request would be required to do that in FY85, assuming an advance procurement for 6 months to FY86?

APPENDIX III

ATTACHMENTS TO SECRETARY HODEL'S PREPARED STATEMENT

DOE/MA-0062/2

EMBARGO
There Should Be No Release of This Document Until 12 p.m. Noon (E.S.T.) Wednesday, February 1, 1984

U.S. Department of Energy

FY 1985

BUDGET HIGHLIGHTS

FEBRUARY 1984
U.S. DEPARTMENT OF ENERGY
ASSISTANT SECRETARY,
MANAGEMENT AND ADMINISTRATION
OFFICE OF THE CONTROLLER
WASHINGTON, D.C. 20585

Department of Energy
FY 1985 Budget Highlights

Table of Contents

	Page No.
Overview	1
Management Initiatives	5
Energy Programs	7
Research and Development	9
Fusion	9
Nuclear Energy	10
Environment	13
Supporting Research and Technical Analysis	14
Fossil Energy	16
Conservation Research and Development	18
Solar and Other Renewables	19
Electric Energy Systems and Storage	21
Conservation Grants	23
Direct Energy Production	25
Uranium Enrichment	26
Naval Petroleum and Oil Shale Reserves	27
Power Marketing Administrations	27
Nuclear Waste Fund	29
Other Energy Functions	31
Emergency Preparedness	31
Energy Information Administration	31
Economic Regulatory Administration	32
Office of Hearings and Appeals	32
Federal Energy Regulatory Commission	32
General Science	35
Strategic Petroleum Reserve	37
Defense Activities	39
Support Activities	45
Appendices	47
Appendix A: Organization Chart	49
Appendix B: Department of Energy Facilities	51
Appendix C: Budget by Appropriation	53

OVERVIEW

The FY 1985 budget request for the Department of Energy supports the Department's energy and national security missions in a strong and balanced manner. The budget for energy programs continues the Department's long standing commitment to support development of a mix of energy technologies which potentially can provide adequate supplies of energy at a reasonable cost. The Nation's energy security is enhanced through the continued development and fill of the Strategic Petroleum Reserve, and the Department continues to carry out its responsibilities as a principal sponsor of basic research into the fundamentals of matter by requesting a substantial increase in funding for general science research activities. Finally, the budget request meets the Department's responsibility to support the national security mission of the Department of Defense through the development, testing, and production of nuclear weapons and materials.

The Administration has made management reform a priority issue throughout the Federal establishment. The Office of Management and Budget is directing a six-year management improvement effort entitled Reform 88, which has identified a number of areas where significant gains in governmental efficiency and cost effectiveness can be expected. The President's Private Sector Survey on Cost Control, also known as the Grace Commission, undertook an intensive investigation of the potential for cost savings and made specific recommendations in its 1983 report. In addition, the Energy Research Advisory Board and the White House Science Council looked at ways to improve the effectiveness of the Department's field offices and laboratories.

In response to these various recommendations, the Department is undertaking a number of management initiatives which should result in savings across the Department's operations of $47.5 million in FY 1984 and $96.0 million in FY 1985. Approximately $47.2 million of the total estimated $143.5 million savings over these two years are incorporated in the FY 1985 budget requests of the various program activities. The remaining $96.3 million appears as adjustments reducing the total program funding levels, reflecting the fact that attainment of these savings reduces the need for new budget authority in FY 1985.

The Nuclear Waste Policy Act of 1982 (NWPA), Public Law 97-425, was signed by the President on January 7, 1983. It establishes a comprehensive national policy on nuclear waste. The primary function of the NWPA is to develop permanent repositories for the disposal of high level waste; this is accomplished through the Nuclear Waste Fund, which is financed by user fees. Other provisions of the Act are funded with Federal funds and are supported in the Department's budget under the Nuclear Waste Technology and Civilian Waste Research and Development programs in the Energy Supply account.

The budget request is summarized below.

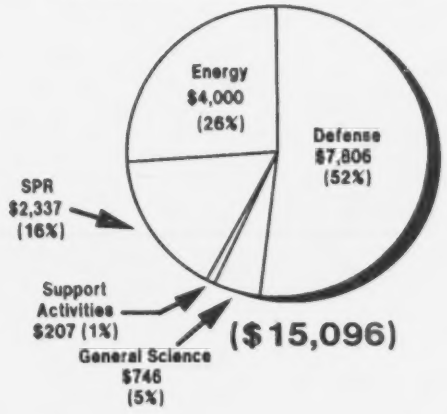
DEPARTMENT OF ENERGY	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Energy Programs		
Research and Development	$ 2,505.9	$ 2,408.6
Conservation Grants	280.2	252.2
Direct Energy Production	1,007.4	884.9
Nuclear Waste Fund	319.6	327.7
Other Energy Functions	138.2	126.3
Subtotal, Energy Programs	$ 4,251.3	$ 3,999.7
General Science	641.3	746.1
Strategic Petroleum Reserve	808.8	2,336.7
Defense Activities	6,718.4	7,805.9
Support Activities	213.0	207.0
Subtotal	$12,632.8	$15,095.4
Adjustments 1/	-322.8	-391.1
Subtotal, Budget Authority	$12,310.0	$14,704.3
Less: Off-budget Strategic Petroleum Reserve	-650.0	-1,889.5
TOTAL, DEPARTMENT OF ENERGY	$11,660.0	$12,814.8

1/ Explanation of Adjustments

Proposed FY 1984 Supplementals	$ -163.4	$ ---
Funds Transferred from the Petroleum Overcharge Restitution Fund	---	-238.0
Use of Prior Year Balances and Other Adjustments	-159.4	-153.1
TOTAL ADJUSTMENTS:	$ -322.8	$ -391.1

The FY 1985 budget for the Department of Energy provides adequate funding to meet the Department's objectives in energy, emergency preparedness, defense, and basic scientific research. Overall, the Department's request for FY 1985 program requirements represents an increase of 19 percent over the FY 1984 funding estimates. This increase results from higher funding levels proposed for the Strategic Petroleum Reserve, Defense Activities, and General Science, which more than offset a decrease in the request for Energy programs.

Breakdown of DOE Programs by Primary Mission
(Budget Authority in Millions)



Energy functions comprise about 26 percent of the Department's budget for FY 1985. The budget request continues the Department's traditional emphasis on longer-term, high-risk research and development, and provides for balance among a variety of technologies that contribute to energy supply and improved energy efficiency.

The Strategic Petroleum Reserve budget of $2,337 million will permit an average annual fill rate of 145,000 barrels per day in FY 1985 and a program to complete a 750 million barrel system that will be almost 65 percent filled at the end of FY 1985.

General Science programs show a 16 percent increase over FY 1984, due in large part to increased construction funding for major research facilities.

Defense Activities account for slightly over half of the Department's FY 1985 budget. The request for $7,806 million will permit the Department to meet the requirements of the Department of Defense for nuclear weapons and special nuclear materials, and to continue the moderization and upgrade of aging facilities.

Support Activities are reduced slightly from FY 1984, despite a larger overall budget, due to the introduction of improved management practices.

The following pages discuss the budget request in greater detail.

5

MANAGEMENT INITIATIVES

The management initiatives being undertaken to improve the Department's operational efficiency are in ten categories, as shown in the following table. Because these new practices are being put into effect immediately the savings are shown for both FY 1984 and FY 1985:

Savings From Management Initiatives

	Budget Authority (in millions) FY 1984	FY 1985
Administrative Organization Management	$ 1.0	$ 2.5
Administrative Systems	2.0	4.0
Administrative Process/Field Structure	---	35.0
Payroll/Personnel	---	.3
Procurement Reform	10.5	18.5
Cash Management 1/	---	---
Debt Collection 2/	---	---
Financial Systems Reform	34.0	34.0
Printing/Publications	---	1.1
Travel Management	---	.6
Total	$ 47.5	$ 96.0

1/ Significant reductions in outlays ($31.7 million in both FY 1984 and FY 1985) are anticipated from initiatives in this area, but budget authority is not affected.

2/ Significant reductions in total outlays are expected beginning in FY 1987 resulting from improved debt collection efforts.

7

ENERGY PROGRAMS

The funding request for Energy Programs totals $3,999.7 million before adjustments, a decrease of $251.6 million from the estimated funding for FY 1984. Energy programs can be divided into five categories: research and development, conservation grants, direct energy production, nuclear waste fund and other energy functions. The following table shows our request by these major groupings:

ENERGY PROGRAMS	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Research and Development	$2,505.9	$2,408.6
Conservation Grants	280.2	252.2
Direct Energy Production	1,007.4	884.9
Nuclear Waste Fund	319.6	327.7
Other Energy Functions	138.2	126.3
Subtotal	$4,251.3	$3,999.7
Proposed FY 1984 Supplementals	-5.8	---
Funds Transferred from the Petroleum Overcharge Restitution Fund	---	-238.0
Use of Prior Year Balances and Other Adjustments	-134.4	-124.0
TOTAL, ENERGY PROGRAMS	$4,111.1	$3,637.7

Research and Development programs support a wide variety of technologies that seek to produce and utilize energy safely and efficiently from new and existing resources.

Conservation Grant programs provide funds to State and local governments for various energy conservation measures that assist institutions and low-income individuals.

Direct Energy Production programs include the Department's activities in uranium enrichment, oil production, and the marketing of power produced by Federal hydropower projects.

Nuclear Waste Fund activities are related to the development, construction, and operation of a commercial high-level waste repository and studies of interim storage concepts, as required by Public Law 97-425, the Nuclear Waste Policy Act of 1982.

Other Energy Functions include the collection, analysis, and distribution of energy information; energy regulation; and certain emergency preparedness activities.

9

RESEARCH AND DEVELOPMENT

Research and Development programs are primarily long-term, high-risk efforts which support a mix of energy technologies aimed at expanding domestic energy supplies and achieving greater efficiency in energy use. In addition to specific energy technology programs, the Department conducts research in basic energy sciences and on the health and environmental uncertainties of energy technologies. These activities are carried out by university, industry, and government research personnel, utilizing highly specialized research facilities.

RESEARCH AND DEVELOPMENT	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Fusion	$ 470.8	$ 483.1
Nuclear Energy	674.7	618.1
Environment	219.3	228.2
Supporting Research and Technical Analysis	395.1	479.6
Fossil Energy	329.6	272.9
Conservation Research and Development	150.9	148.0
Solar and Other Renewables	215.0	191.3
Electric Energy Systems and Storage	44.2	35.3
Policy and Management	6.3	4.6
Savings from Management Initiatives	---	-52.5
Subtotal	$2,505.9	$2,408.6
Use of Prior Year Balances and Other Adjustments	-134.4	-77.1
TOTAL, RESEARCH AND DEVELOPMENT	$2,371.5	$2,331.5

Fusion

Successful development of fusion energy would ultimately provide access to an inexpensive and essentially inexhaustible domestic energy resource base. The objective of the Magnetic Fusion Energy program is to develop the technical data base required for the private sector to determine the commercial potential of fusion. The program strategy consists of three phases: the first phase seeks to achieve near-term scientific feasibility; the second phase concentrates on product definition to demonstrate a credible reactor concept; and the final phase will emphasize product development leading to construction of commercial fusion power reactors. Scientific feasibility will be demonstrated in late 1986 when the Tokamak Fusion Test Reactor (TFTR) achieves energy breakeven. The objective of the product definition stage is to select a concept to serve as the focus for optimization efforts and as the plasma core for an advanced engineering device. The candidates currently being considered are the long pulse tokamak and the tandem mirror concepts. FY 1985 funding of $483.1 million supports a transition period between the scientific feasibility stage and the product definition stage.

10

Nuclear Energy

The Department's Nuclear Energy activities are designed to provide the technological base to revitalize industry's efforts to continue the development of nuclear power as an economic and environmentally acceptable source of baseload electric power. The program includes research on advanced concepts of breeder reactor systems, fuel reprocessing technologies, reactor safety studies, space power systems, high temperature reactors, and nuclear waste disposal technologies. The budget request allocates funding as follows:

NUCLEAR ENERGY	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Converter Reactor Systems	$ 92.7	$ 83.6
Nuclear Waste Technology	14.3	13.3
Civilian Waste Research and Development	11.4	27.6
Advanced Nuclear Systems	34.1	33.5
Breeder Reactor Systems	423.2	308.1
Remedial Action	99.0	152.0
TOTAL, NUCLEAR ENERGY	$ 674.7	$ 618.1

Converter Reactor Systems

The objective of the Converter Reactor Systems program is to resolve the institutional, financial, technical and regulatory barriers to the further deployment of converter reactors by industry. The FY 1985 budget request of $83.6 million supports three major program elements: High Temperature Gas Reactor, Light Water Reactor Systems, and Three Mile Island Activities.

The High Temperature Gas Reactor (HTGR) program provides for continued development of the technology base to support the concept of small, inherently safe, high temperature gas-cooled reactors as well as providing for evaluation of the potential this concept could have for applications in domestic and international markets. FY 1985 funding will support technical and economic evaluations of the HTGR concepts and design studies on HTGR safety systems, pursue international cooperative efforts, and permit work with utilities to define their needs.

The Light Water Reactor (LWR) systems program is a coordinated effort among DOE, other government agencies and private industry to develop and implement recommendations to resolve the regulatory, financial and technical problems of the LWR industry. FY 1985 funding supports efforts necessary to improve the safety and licensing of nuclear powerplants, and reduce uncertainties in primary and containment system responses to severe transients and accidents.

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The objectives of the Three Mile Island (TMI) Activities program are to develop technology for recovery from a serious reactor accident, and to conduct relevent research and development that will substantially enhance nuclear powerplant safety and operation. This research and development information would not otherwise be available from the TMI cleanup effort. The DOE program is being conducted without delaying the cleanup schedule established by General Public Utilities (GPU), the owner of the facility. GPU remains responsible for the costs of the TMI cleanup.

Nuclear Waste Technology

The objective of the Nuclear Waste Technology program is to develop acceptable technologies for the treatment of civilian radioactive waste. Specific activities include: (1) technical assistance to the States to develop regional capacities for the disposal of low-level radioactive waste in accordance with Public Law 96-573, the Low-Level Radioactive Waste Policy Act; and (2) development of nuclear waste treatment processes and forms suitable for transportation, storage, and disposal in a geologic repository.

Civilian Waste Research and Development

The Civilian Waste Research and Development program is comprised of generic research and cooperative agreement activities that are consistent with the Nuclear Waste Policy Act (NWPA). Some of these activities were in progress prior to passage of the Act and others are new initiatives. The FY 1985 request of $27.6 million provides for (1) encouraging and expediting the availability of licensed new at-reactor storage technologies; (2) research on alternatives for the permanent disposal of high-level radioactive wastes; and (3) generic research and development studies and efforts to support civilian waste management activities.

Advanced Nuclear Systems

The Advanced Nuclear Systems program is responsible for the development of a range of nuclear power system options involving both isotope and fission energy sources to support civilian and specialized military applications. FY 1985 funding of $33.5 million will support the following: the fabrication and assembly of radioisotope thermoelectric generators (RTG) for the NASA Galileo and Isotope Solar Polar Missions for shuttle launch in 1986; the development of a modular, high specific power-to-weight ratio RTG for future NASA missions; development of a special applications RTG for DOD use; and continuation of the space nuclear reactor program to develop a space reactor capable of producing electricity in the 100 KW(e) or higher power range in coordination with NASA and the Department of Defense.

Breeder Reactor Systems

The goal of the Breeder Reactor Systems program is to develop the technology for an inherently safe, reliable, and marketable breeder that is competitive with alternative energy sources and could be commercially introduced by the private sector early in the next century. A major element of this program in previous years was the Clinch River Breeder Reactor demonstration project. However, in FY 1984 no funds were appropriated to continue this project and the Department began termination activities. Consequently, the FY 1985 program has been restructured to focus on resolving technology issues that are key to achieving competitive breeder economics, assuring safe and predictable performance, and meeting the needs of the user industry. As part of this effort, emphasis will be placed on evaluating advanced concepts that offer the potential of improved economics and inherent safety. These studies will also explore the advantages of standardized designs and lower power level reactors. In addition, a major thrust will be undertaken to expand international collaboration now that the United States is not sponsoring a major demonstration plant. Efforts will also continue to maintain the basic breeder fuel cycle technology for potential future use and to confirm that fuel breeding can be achieved in a light water reactor using the uranium-233 thorium fuel cycle. The FY 1985 request for the Breeder Reactor Systems program is $308.1 million.

Remedial Action

The objective of the Remedial Action program is to treat or stabilize radioactive wastes and perform required decontamination and decommissioning at contaminated DOE and legislatively mandated non-government facilities and sites. The major activities include: (1) the formerly utilized sites remedial action program; (2) remedial action at Grand Junction, Colorado; (3) the uranium mill tailings remedial action program for inactive uranium mill tailings sites; (4) management and disposition of certain civilian radioactively contaminated surplus facilities; and (5) demonstration of the solidification and preparation for final disposal of high-level radioactive wastes at the former reprocessing facility at West Valley, New York. The FY 1985 level of funding for Remedial Action is $152.0 million.

Environment

The Department's programs are formulated in a manner that balances energy production requirements with the need to protect the environment. The Environment, Safety and Health program, the Liquefied Gaseous Fuels Spill Test Facility, and the Biological and Environmental Research program support activities that help reduce the health and environmental uncertainties associated with energy technology. These programs are closely integrated with the other energy research and development and operating activities of the Department. The budget is allocated as follows:

ENVIRONMENT	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Environment, Safety, and Health	$ 32.1	$ 37.1
Liquefied Gaseous Fuels Spill Test Facility	3.2	2.0
Biological and Environmental Research	184.0	189.1
TOTAL, ENVIRONMENT	$ 219.3	$ 228.2

Environment, Safety, and Health

The goal of the Environment, Safety, and Health (ES&H) program is to develop policies and standards for safety within all Departmental programs; assure public safety and environmental protection at all DOE facilities; and assure Departmental compliance with environmental statutes, regulations, and standards. The principal focus is to assure the safe operation of all DOE nuclear facilities. Specific activities planned for FY 1985 include: improving training guidance for reactor operators to enhance operational safety at agency nuclear facilities; maintaining a viable radiological emergency response capability for agency facilities; providing policy direction to Department-wide radiation protection programs; issuing revised environmental protection, safety and health protection guidance; and conducting appraisals of ES&H performance at four of the eight Operations Offices. Requested funds for FY 1985 total $37.1 million.

Liquefied Gaseous Fuels Spill Test Facility

The FY 1985 request of $2.0 million provides support for completion and initiation of facility integration, checkout, and preparation for operation of a test facility to develop the safety and environmental control information needed by industry, regulatory agencies and the general public on liquefied gases, including natural gas (LNG), liquefied petroleum gas (LPG), hydrogen, chlorine and ammonia.

Biological and Environmental Research

The Biological and Environmental Research (BER) program represents the Nation's only long-term research effort specifically focused on energy related health and environmental issues. The goals of this research program are (1) to provide, through basic and applied research, sound, scientific data required to reduce

the health and environmental uncertainties associated with the energy technology and weapons development needed to meet the Nation's future energy and national security needs; and (2) to develop new applications of nuclear science and technology for use in the diagnosis and treatment of human disease. The BER program focuses on long-term generic issues rather than near-term, process-specific questions which industry and regulatory agencies are better able to address.

Specific objectives which support the goals of this research program are: identify, measure and characterize energy related physical and chemical agents released to the environment; understand processes involved in movement, chemical changes, and fate of potentially hazardous radionuclides emissions on ecological systems; determine the late biological effects resulting from exposure to low levels of radiation and chemical pollutants; use new molecular and cellular approaches to understand the mechanisms of biological action; develop a sound, quantitative atmospheric carbon dioxide and acid rain knowledge base to aid in energy policy decisionmaking; and produce radionuclides, radiopharmaceuticals and imaging systems for improved detection and treatment of diseases.

Supporting Research and Technical Analysis

The Supporting Research and Technical Analysis programs are focused on areas of fundamental science that have the greatest potential for impact on energy production, on the assessment of technologies that have potentially high payoffs in the future, and on the training of future energy professionals. The FY 1985 funding request is allocated as follows:

	Budget Authority (in millions)	
SUPPORTING RESEARCH AND TECHNICAL ANALYSIS	FY 1984 Estimate	FY 1985 Request
Basic Energy Sciences	$ 337.3	$ 419.5
University Research Instrumentation	4.0	6.0
University Research Support and Energy Research Analysis.	8.3	12.2
Advisory and Oversight Program Direction	3.4	2.9
Multiprogram General Purpose Facilities	42.1	39.0
TOTAL, SUPPORTING RESEARCH AND TECHNICAL ANALYSIS	$ 395.1	$ 479.6

Basic Energy Sciences

The Basic Energy Sciences (BES) program is responsible for generic long-range energy related research. To carry out the program, BES supports energy related research in the physical and biological sciences, engineering, applied mathematics, geosciences, and design of advanced computers. Research carried out by the BES program provides knowledge that cuts across the missions of all of the Department's technology development programs. In addition to supporting research in areas likely to be relevant to future energy options, FY 1985 funds also support use of several important new facilities: the National Synchrotron Light Source, the Intense Pulsed Neutron Source, the 1.5 MEV high voltage

electron microscope, the Atomic Resolution Microscope, and the Stanford Synchrotron Radiation Laboratory. The Center for Advanced Materials will continue in FY 1985 with emphasis on the synthesis, characterization and study of the properties of advanced materials. It will also provide advanced facilities for graduate student research training.

The FY 1985 request for the BES program is $419.5 million, which maintains the needed continuity of the FY 1984 program. An increase needed for facility operations and research will be provided; the principal goals of the research program and the goals of advanced materials sciences will be met; the first step in expanding energy research (ER) computing activities to meet immediate needs for supercomputer access by ER researchers will be taken; and enhancements will be permitted in the most promising areas of research.

University Research Instrumentation

The University Research Instrumentation program provides support to university research groups on a competitive basis for the purchase of major, state-of-the-art scientific research instrumentation which is essential for continued progress in advanced energy related scientific and technical research. This program is complementary to and does not replace the Department's efforts to provide funds for scientific equipment required on individual research projects supported through the cognizant research programs. Requests for such instrumentation will continue to be included in research proposals submitted to the Department's basic and applied research programs.

University Research Support, Energy Research Analysis, and Advisory and Oversight Program Direction

The University Research Support program provides for energy related research and training programs through university reactor fuel assistance, university laboratory cooperative research, energy manpower development, and related education and training activities. The Energy Research Analysis program provides the capability for an independent, rigorous assessment of the research base that underlies a variety of energy technologies. Assessments are consolidated under one organization, the Office of Energy Research, in fulfillment of legislated responsibility for the Director to advise the Secretary on the Department's research and development programs.

Advisory and Oversight Program Direction funds the personnel who administer the field operations management, University Research Support, Energy Research Analysis, and Multiprogram General Purpose Facilities programs. It also supports the Energy Research Advisory Board.

Multiprogram General Purpose Facilities

The goal of the Multiprogram General Purpose Facilities (MGPF) program is to provide for the rehabilitation and replacement of multiprogram general support facilities which are essential to the continued operation of the Department's multiprogram sites. The investment in offices, laboratories, warehouses, electrical and mechanical utilities, roads, and railroads is substantial. The average age of buildings and utilities is 25 years. Specific FY 1985 objectives

are to rehabilitate and replace deficient facilities which are essential to the continued operation of multiprogram sites, and to prolong the life of the Government's large investment in real property facilities. A total of $39.0 million is requested for this program in FY 1985.

Fossil Energy

Fossil fuels--oil, natural gas and coal--accounted for 90 percent of the energy consumed in the United States during 1982, and will supply the majority of the Nation's energy needs well into the next century. Over the longer term, it is expected that the Nation will look increasingly to coal as a primary source of energy. Unconventional gas and oil recovery and production of synthetic fuels from coal and shale resources are also expected to play an increasing role in domestic supplies. Much of this supplemental production will come from technologies that are just being introduced or are still under development. Similarly, the future production of electricity and energy from the direct combustion of coal and coal mixtures is expected to rely heavily on advanced technology which offers improved environmental and economic performance. The Department's Fossil Energy program is geared toward establishing an adequate scientific and engineering knowledge base to support private sector efforts to develop and deploy these technologies. The proposed FY 1985 budget is a balanced program which addresses these needs and focuses on long-term, high-risk research and development that the private sector lacks the incentive to finance.

	Budget Authority (in millions)	
FOSSIL ENERGY	FY 1984 Estimate	FY 1985 Request
Coal	$ 234.2	$ 178.0 [a/]
Petroleum	30.3	31.6
Gas	15.5	8.6
Policy and Management	49.6	54.7
Subtotal	$ 329.6	$ 272.9
Use of Prior Year Balances and Other Adjustments	-69.4	-58.0
Savings from Management Initiatives	---	-12.2
TOTAL, FOSSIL ENERGY	$ 260.2	$ 202.7

[a/] Includes a $15.0 million advance appropriation for the TVA atmospheric fluidized bed demonstration plant which was provided in Public Law 98-146.

Coal

The objective of the Coal program will be to continue generic, technology base and environmental research. Emphasis will be placed on acid rain related research through integrated efforts that crosscut virtually all programs. The FY 1985 research activities, funded at $178.0 million, include environmental research in flue gas cleanup, coal preparation, and other coal cleaning technologies. Advanced research and technology development includes basic and applied research on materials and components, processes, direct utilization, and planning research that crosscuts all fossil energy programs. Coal liquefaction research will continue to permit bench scale and industrial contractor work on direct and indirect methods, along with work on catalyst evaluation. Research in the direct use of coal in an environmentally sound and efficient manner will continue, including fluidized bed combustion and alternative fuel utilization technology development. Development of the startup and operational test plans for the TVA fluidized bed demonstration plant will also be undertaken. Underground coal gasification, using Controlled Retracting Injection Point (CRIP) technology, will be expanded into Eastern coals. The heat engines program will continue to investigate the use of coal-derived fuels in diesels and gas turbines. Surface coal gasification research will also be continued to provide effective technology transfer to industry. Activities in the fuel cells program will be continued in three major technology areas. Efforts in Magnetohydrodynamics (MHD) will be redirected to a multiyear advanced research program consisting of scientific research and an integrated system test, which could lead to an 80 megawatt combined cycle system to be cost-shared with the private sector.

Petroleum

The Petroleum program will fund research which could lead to improved technologies for the exploration, development and production of petroleum resources. In FY 1985, it will concentrate on enhanced recovery of light and heavy oil, tar sands, chemistry and physics work, and environmental mitigation efforts in oil shale. In advanced process technology, a broad spectrum of efforts aimed at expanding the knowledge base for extraction technologies and arctic and offshore research will be continued. The request for these activities is $31.6 million.

Gas

The goal of the Gas program is to assist the private sector in developing cost-effective diagnostic and extraction technologies which are required to produce gas efficiently and economically from the vast unconventional gas resources. The FY 1985 request of $8.6 million will continue activities related to Western tight gas sands, supporting research, and Eastern gas shales research. In addition, environmental and advanced research will be conducted on the resource potential of methane hydrates and deep source gas.

Policy and Management

Policy and Management provides pay and benefits for both Headquarters and field personnel in Fossil Energy. In addition, it provides support for the day-to-day project management functions, including indirect costs at the Energy Technology Centers such as facility operation, maintenance, overhead, personnel and

administrative support, and other non-programmatic field support activities. Institutional investment projects are also funded under this program, which is estimated at $54.7 million in FY 1985.

Conservation Research and Development

The aim of the Energy Conservation Research and Development program is to assist the private sector in developing the technological means to use energy economically by conducting research in areas of energy conservation where new knowledge can expand the technology base. The Federal effort is focused on the technology base development activities that the private sector lacks the incentive to finance. The FY 1985 budget request for that research is as follows:

CONSERVATION RESEARCH AND DEVELOPMENT	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Buildings and Community Systems	$ 37.4	$ 35.3
Industrial	33.7	33.3
Transportation	65.0	51.1
Multi-Sector	12.8	26.5
Policy and Management	1.3	1.8
Policy Analysis	0.7	---
Subtotal	$ 150.9	$ 148.0
Use of Prior Year Balances and Other Adjustments	---	-9.1
Savings from Management Initiatives	---	-8.0
TOTAL, CONSERVATION RESEARCH AND DEVELOPMENT	$ 150.9	$ 130.9

The FY 1985 program for the various conservation activities is described below. In addition, there are new initiatives common to all four research categories: activities designed specifically to assist technology transfer to private industry; fellowship programs whereby scientists from academia and industry will conduct research at the national laboratories in selected energy conservation technology applications; and, funding for certain capital equipment acquisitions.

Buildings and Community Systems

The Buildings and Community Systems program conducts research into the economical and efficient use of energy, primarily in buildings. The FY 1985 request of $35.3 million provides for buildings systems research in such areas as wall and roof systems, indoor air quality, infiltration and ventilation, lighting, and retrofit of existing buildings. Research on the technological problems and institutional barriers that impede the use of integrated community energy systems will also be conducted. Analysis and technology transfer activities will be expanded. In addition, the legislatively mandated building energy efficiency guidelines and standards, appliance standards, residential conservation service, and Federal energy management programs will be continued.

Industrial

The objective of the Industrial program is to support research and development activities which have the potential to increase energy use efficiency and the use of alternative fuels in private industry. The FY 1985 request of $33.3 million for this program will continue the development of efficient combustion, ceramic recuperator and waste material utlization technologies. Research and development of efficient, fuel flexible energy conversion technologies for cogeneration systems will also be continued. In addition, the request includes funds for research on the thin strip casting of steel, electrode materials, and advanced sensors and controls. The Energy Analysis and Diagnostic Center and Industrial Reporting programs will also be continued through research and development of new technologies.

Transportation

The Transportation program focuses on research efforts to improve energy efficiency of vehicle systems. The FY 1985 request of $51.1 million provides for the continued development of the automotive gas turbine and research in adiabatic diesel technology. Research into the use of advanced batteries in electric and hybrid vehicles and the utilization of alternative fuels will also be continued. In addition, the request provides for advanced ceramic material development and the remainder of the funds necessary to complete the construction of the High Temperature Materials Laboratory.

Multi-Sector

The Multi-Sector program supports basic research and exploratory development of new concepts that offer increased efficiencies in energy conversion and utilization applications. In FY 1985 the $26.5 million program will expand continuous combustion and thermal sciences research and increase research to characterize and improve the properties of new materials. Continuing research in biocatalysis and tribology will also be expanded. In addition, the inventors program will evaluate invention proposals and provide technical assistance to the most promising inventors.

Solar and Other Renewables

Solar and Other Renewable Energy resources offer the potential for significant contributions toward achieving energy self-sufficiency over the long term. This energy research effort requires a sustained multi-year approach by DOE, working in close coordination with industry, to support private sector efforts to develop these resources as competitive energy supply options. Moderate and high temperature solar heat, photovoltaics, biofuels, wind, and ocean thermal systems, and geothermal energy technologies are being investigated. In FY 1985, funding is allocated among these programs as follows:

SOLAR AND OTHER RENEWABLES	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Solar Energy	$ 181.7	$ 163.6
Geothermal	30.5	27.1
Geothermal Resources Development Fund	2.1	.1
Hydropower	.7	.5
Subtotal	$ 215.0	$ 191.3
Use of Prior Year Balances and Other Adjustments	---	-10.0
TOTAL, SOLAR AND OTHER RENEWABLES	$ 215.0	$ 181.3

Solar Energy

The goal of the Solar Energy program is to help the private sector in advancing solar technologies as competitive energy supply options. Despite significant technical and institutional progress during the past decade, the majority of the solar energy alternatives are still not competitive under present market conditions. Until these technologies are sufficiently developed and market forces can offer private industry the possibility of timely and favorable returns on solar energy investments, this program will continue to support research in the areas of solar building energy systems, photovoltaic energy systems, solar thermal energy systems, biofuels, wind energy, and ocean energy. The FY 1985 request of $163.6 million will permit essentially the continuation of the FY 1984 program level with increases for technology transfer activities. FY 1985 funds will be applied to improving the test and technology performance of solar buildings heating, cooling and lighting systems; improving the efficiency, life and cost of photovoltaic cells; developing cost-effective processes for the conversion of organic matter into clean fuels; advancing electric generation from wind turbines; reducing the technical risks of ocean thermal energy conversion; transferring sponsored research and development results to the private sector; and supporting international trade development activities.

Geothermal

The goal of the Geothermal program is to assist the private sector in advancing the use of geothermal technology as a viable alternative source of energy. The FY 1985 budget of $27.1 million will provide for comprehensive analyses of long duration geopressured resource flow test data; final phase construction of the Fenton Hill, N.M., Hot Dry Rock thermal loop; and hydrothermal technology, hard rock penetration and magma energy extraction research. Also, expanded efforts are proposed to transmit the results of geothermal energy research and development to the private sector more effectively.

Geothermal Resources Development Fund

The Geothermal Resources Development Fund was established to accelerate the development and utilization of geothermal energy through loan guarantees which induce allocation of private credit to geothermal projects. FY 1985 funds will

be used for DOE personnel to monitor outstanding loan guaranty agreements, and to process pending loan guaranty applications. Six loan guaranties are currently authorized for a total of $93.3 million; three additional loan guaranties totaling $151.1 million have been conditionally approved.

Hydropower

The goal of the Hydropower program has been to develop a technology base to help reestablish a vigorous small hydropower industry. Recognizing that higher energy costs made smaller hydroplants economically viable without Federal subsidy, the Department began an orderly reduction of this program in FY 1981. FY 1985 funding of $0.5 million will continue this reduction and ensure the ability to monitor the progress of cost-shared demonstration projects.

Electric Energy Systems and Storage

These two programs support a wide range of generic research activities with application for electric utilities and electric vehicles. FY 1985 funding is allocated as follows:

	Budget Authority (in millions)	
ELECTRIC ENERGY SYSTEMS AND STORAGE	FY 1984 Estimate	FY 1985 Request
Electric Energy Systems	$ 18.5	$ 18.2
Energy Storage Systems	25.7	17.1
TOTAL, ELECTRIC ENERGY SYSTEMS AND STORAGE	$ 44.2	$ 35.3

Electric Energy Systems

The Electric Energy Systems program provides technical options for future electric networks which will meet the needs of national security and reliable electric energy supply. FY 1985 efforts, funded at $18.2 million, are directed toward the following goals: (1) determine electric field effects; (2) develop electric network technologies to enhance service and continuity during all normal and emerging conditions; and (3) provide new concepts and materials to improve efficiency and productivity of power systems.

Energy Storage Systems

The Energy Storage Systems program supports four specific applications: electric vehicles, storage of electricity generated by solar energy, electric utility load-leveling, and energy and resource conservation. The FY 1985 program of $17.1 million will support research to: develop low-cost, efficient, long-lasting, high energy and power electrochemical storage; transfer energy and resource conserving technology to industry; and accelerate development of batteries and electrochemical processes.

23

CONSERVATION GRANTS

The Conservation Grants program provides Federal funds to State and local governments to undertake energy conservation measures. The FY 1985 request is as follows:

CONSERVATION GRANTS	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
EPCA	$ 24.0	$ ---
Energy Extension Service	10.0	---
Weatherization	190.0	190.0
Schools and Hospitals	48.0	48.0
Program Direction	8.2	14.2
Subtotal	$ 280.2	$ 252.2
Use of Prior Year Balances and Other Adjustments	---	-1.0
Funds Transferred from the Petroleum Overcharge Restitution Fund	---	-238.0
TOTAL, CONSERVATION GRANTS	$ 280.2	$ 13.2

The FY 1985 request of $252.2 million will continue the Low-Income Weatherization Assistance and Schools and Hospitals grant programs. The Weatherization program provides assistance to low-income persons who live in older, less energy efficient housing; the $190 million request will weatherize approximately 190,000 homes. The Schools and Hospitals program provides conservation measures at public and non-profit schools and hospitals; the $48.0 million request will retrofit approximately 2,000 buildings.

In FY 1985, these two programs will be financed from the proposed "Petroleum Overcharge Restitution Fund" to be established in the Department of Health and Human Services (HHS). This fund will hold monies recovered by the U.S. Government from petroleum pricing and allocation violations under the Emergency Petroleum Allocation Act of 1973, as amended, in instances where the overcharged customers cannot be identified and repaid. Appropriations made from the proposed fund will be transferred to DOE, and managed in the same manner as is presently the case. In addition to the two DOE programs, oil overcharge money deposited into this fund will be used to support the HHS Low-Income Home Energy Assistance Program. If receipts deposited into the fund are insufficient, the balance of the budget request for the Weatherization Assistance and Schools and Hospitals Grant programs will be derived from the general fund of the U.S. Treasury.

25

DIRECT ENERGY PRODUCTION

The Department markets energy products in three program areas: enriched uranium produced for domestic and international customers; oil and other petroleum products, including natural gas, produced from the Naval Petroleum Reserves; and electric power produced by Federal hydropower projects. Revenues from the sale of enriched uranium are directly offset against production costs. The revenues generated from the sale of power from four of the five Power Marketing Administrations and from the sale of oil and related petroleum products from the Naval Petroleum Reserves are deposited directly to the Treasury and do not reduce the Department's need for budget authority to support program operations. Revenues from these sources are estimated at $2,097.0 million: $587.0 million of power marketing revenues, and $1,510.5 million of Naval Petroleum and Oil Shale Reserves revenues. Bonneville Power Administration revenues are deposited in a revolving fund.

Production and distribution costs, anticipated revenues, and net appropriation requirements for the Department's Direct Energy Production activities are shown below:

DIRECT ENERGY PRODUCTION	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Production and Distribution Costs		
Uranium Enrichment	$ 2,193.8	$ 2,074.0
Less: Uranium Enrichment Revenues	-2,105.0	-2,074.0
Subtotal, Uranium Enrichment	88.8	---
Naval Petroleum and Oil Shale Reserves	256.6	262.8
Power Marketing Administrations	662.0	622.3
Savings from Management Initiatives	---	-.2
Subtotal	$ 1,007.4	$ 884.9
Use of Prior Year Balances and Other Adjustments	---	-46.0
TOTAL, DIRECT ENERGY PRODUCTION	$ 1,007.4	$ 838.9

Uranium Enrichment

The goal of the Uranium Enrichment activities program is to meet domestic, foreign and United States Government requirements for uranium enrichment services in the most economical, reliable, safe and environmentally acceptable manner possible. This program has faced considerable foreign competition in the marketplace. In order to stem the decline of the Department's market share, DOE proposed a new contract on January 18, 1984. The new contract offers present and potential customers several beneficial features, including a competitive price with a long-term price ceiling, the ability to purchase a portion of requirements from other suppliers, and ordering and delivery provisions that are substantially more flexible.

The Uranium Enrichment program is presently comprised of three subprograms: gaseous diffusion operations and support; gas centrifuge operations and support; and atomic vapor laser isotope separation.

The gaseous diffusion operations and support program provides for all activities related to the operation and maintenance of the three gaseous diffusion plants located at Oak Ridge, Tennessee; Portsmouth, Ohio; and Paducah, Kentucky. These plants were built in the 1940's and 1950's and were operated initially to satisfy defense requirements for U-235. They are now operated primarily to provide enrichment services to domestic and foreign utility customers.

The gas centrifuge operations and support program provides for those activities related to the development of the gas centrifuge enrichment process and activities related to construction and operation of the gas centrifuge enrichment plant at Portsmouth, Ohio. The importance of the gas centrifuge technology is that it uses less than five percent of the power required by the gaseous diffusion technology and can therefore provide enrichment services at a significantly lower cost.

Atomic Vapor Laser Isotope Separation is a new enrichment process, still in an initial development stage, which has the potential to significantly reduce the costs of uranium enrichment.

FY 1985 Program

The size and composition of the FY 1985 Uranium Enrichment program is presently under review. The budget figure of $2,074.0 million for the enrichment program and estimated revenues as shown in the preceding table may be subject to change. Future investment in new capacity and in research and development of advanced enrichment processes will be determined in part by the market response to the new contract.

Revenues

The Department's charges for uranium enrichment services are based on recovery of the Government's costs over a reasonable period of time in accordance with Section 161v of the Atomic Energy Act and with the Uranium Enrichment Services Criteria. The costs of providing enrichment services include the electric power supplied to the enrichment plants, the direct and indirect labor needed to operate the plants, process development, DOE's administration, depreciation of plant and equipment, and imputed interest on the Government's investment in uranium enrichment. These revenues directly offset the cost of providing the enrichment service.

Naval Petroleum and Oil Shale Reserves

The statutory objectives of the Naval Petroleum and Oil Shale Reserves (NPOSR) program are to explore, prospect, conserve, develop, use and operate the reserves; to produce Naval Petroleum Reserves Nos. 1 and 3 (NPR 1 and 3) at their maximum efficient rates; and to use, store or sell the products from the Reserves. The budget request of $262.8 million provides funds to fulfill those objectives, including the drilling of 63 development wells, expansion of enhanced oil recovery testing and evaluation programs, and the drilling of offset wells at Naval Oil Shale Reserve No. 3 to protect the natural gas resources from migration to private lands. Development drilling at NPR 1 and 3 will decrease as efforts are concentrated on secondary and tertiary recovery methods such as waterflood, injection and enhanced oil recovery. It is estimated that the Federal share of production in FY 1985 will be 110,200 barrels per day, with total production estimated at 140,000 barrels per day. Gross Federal revenues from NPOSR production, which are returned to the U.S. Treasury in either the Miscellaneous Receipts or Windfall Profit Tax accounts, are estimated to be approximately $1,510.5 million.

Power Marketing Administrations

The Power Marketing Administrations (PMA) market electricity generated by Federal hydropower projects. Preference for sale of power is given to public bodies and cooperatives. Revenues from selling power and transmission services of the five PMA's offset annual operations and maintenance costs, repay the capital investment with interest and assist capital repayment on irrigation features of certain projects.

The FY 1985 budget request for the five PMA's is as follows:

POWER MARKETING ADMINISTRATIONS	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Alaska	$ 3.4	$ 3.2
Bonneville (Borrowing Authority)	406.7	298.7
Southeastern	20.6	35.8
Southwestern	36.2	36.3
Western Area	195.1	248.3
Subtotal	$ 662.0	$ 622.3
Use of Prior Year Balances and Other Adjustments	---	-7.0
Savings from Management Initiatives	---	-.2
TOTAL, POWER MARKETING ADMINISTRATIONS	$ 662.0	$ 615.1

The Alaska Power Administration's FY 1985 budget request of $3.2 million is for the operation, maintenance, and marketing of power for Alaska's two Federal hydroelectric projects: the Eklutna Project near Anchorage and the Snettisham Project near Juneau. Alaska's request will provide $2.5 million for operation and maintenance; $0.1 million for engineering and economic investigations to promote energy development; and $0.6 million for program direction.

The Bonneville Power Administration (BPA) operates on a self-financed revolving fund basis and does not require appropriations to finance its operations. However, it requires borrowing authority to finance transmission system construction and to fund energy conservation and renewable energy resources development. The FY 1985 request of $298.7 million is the amount of borrowing authority estimated to be used to finance transmission system construction ($146.6 million), energy conservation ($150.1 million), and fish and wildlife mitigation projects ($2.0 million).

The Southeastern Power Administration markets power generated at 21 hydroelectric generating plants in a 10-state area. Transmission facilities are owned by the region's investor-owned utilities (IOU's) who provide wheeling services to Southeastern. Southeastern is requesting $1.9 million for operation and maintenance and $33.8 million for purchase power and wheeling, which is a $15.0 million increase from FY 1984. This increase is caused by eliminating the "net billing" process for wheeling power. Power formerly exchanged with wheeling companies in the region will be marketed to preference customers in accordance with existing law. Southeastern must, therefore, pay wheeling charges formerly net-billed. Budget authority increases are recouped by the U.S. Treasury in the form of higher proprietary receipts.

The Southwestern Power Administration markets and transmits power generated at 23 hydroelectric plants for delivery at the lowest possible rates to cooperatives, municipalities, Government installations, and private companies. Southwestern is requesting $10.2 million for operation and maintenance, $22.4 million for purchase power and wheeling ($7.0 million of which is derived from FY 1983 unobligated balances), and $3.7 million for construction in FY 1985.

The Western Area Power Administration's budget request covers necessary construction and rehabilitation on existing and new power transmission facilities, including extensive operation and maintenance activities for power marketing transmission functions in a 15-state area, as well as purchase power and wheeling expenses to meet contractual obligations and allow participation in the oil conservation program. Western Area's request is in the construction, rehabilitation, operation and maintenance account and the Colorado River Basins Marketing Fund (CRB). In the former, Western is requesting $83.3 million for construction, $75.0 million for operation and maintenance and $90.0 million for purchase power and wheeling. The CRB projection for FY 1985 is $93.6 million. All CRB costs will be offset by revenue collections and no budget authority is required. Western's emergency fund has no budget authority request in FY 1985 since it is proposed to be continually replenished from power revenues as in FY 1984.

35-235 O - 84 - 30

NUCLEAR WASTE FUND

The President signed Public Law 97-425, the Nuclear Waste Policy Act of 1982 (NWPA), on January 7, 1983. The Act created the Nuclear Waste Fund, which provides for the disposal of commercial radioactive waste in mined geologic repositories and the study of monitored retrievable storage (MRS).

	Budget Authority (in millions)	
	FY 1984 Estimate	FY 1985 Request
Nuclear Waste Fund	$ 319.6	$ 327.7

The Fund is financed by fees collected from the civilian nuclear utilities. Funds received from the utilities are deposited in a special account in the Treasury Department. Appropriations are made from this account and give the Department of Energy the authority to incur obligations up to the appropriated amount. A projection of fees to finance the Fund through FY 1987 is as follows:

Projected Annual Revenues
(Dollars in Millions)

FY 1984	FY 1985	FY 1986	FY 1987
$ 310.6	$ 377.8	$ 435.0	$ 504.3

The Act requires DOE to select and develop technically sound and environmentally safe sites for the first and second repository; to carry out a consultation and cooperation program with States, Indian tribes, and other affected parties; and to submit to Congress a monitored retrievable storage proposal in FY 1985.

DOE is currently considering potential sites in salt, basalt, and tuff rock formations to host the Nation's first nuclear waste repository. There are currently nine potentially acceptable sites in five different geohydrologic settings, which include salt domes in Mississippi and Louisiana, salt beds in Texas and Utah, tuff in Nevada and basalt in Washington. The Department plans to select the site for the first repository in 1990. In FY 1983, DOE began a site screening program for crystalline rocks in 17 states in three regions of the United States for the second repository program. Other candidates for a second repository could include potentially acceptable sites not nominated for the first repository, sites which were characterized but not selected for the first repository site, and any new geologic formations determined to be potentially acceptable.

For the MRS program, systems analyses and concept evaluations have been completed to provide the basis for facility design efforts which will be initiated in FY 1984 and lead to a proposal to Congress in FY 1985.

OTHER ENERGY FUNCTIONS

In addition to its research and development and direct production activities, the Department performs other energy functions such as planning for energy emergencies, collecting and analyzing energy information, and performing certain regulatory functions. The budget request for these activities is shown below:

OTHER ENERGY FUNCTIONS	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Emergency Preparedness	$ 5.3	$ 6.2
Energy Information Administration	57.6	57.9
Economic Regulatory Administration	23.2	15.3
Office of Hearings and Appeals	5.3	5.6
Federal Energy Regulatory Commission	46.2	40.7
Payments to States [a/]	.6	.6
Subtotal	$ 138.2	$ 126.3
Proposed FY 1984 Supplementals	-5.6 [b/]	---
TOTAL, OTHER ENERGY FUNCTIONS	$ 132.4	$ 126.3

[a/] Permanent, indefinite appropriation.

[b/] Reflects a proposed pay raise supplemental of $0.1 million for Emergency Preparedness, $0.5 million for EIA, $0.4 million for ERA, $0.1 million for OHA, and $1.7 million for FERC. Also includes a proposed supplemental of $3.0 million for ERA compliance activities.

Emergency Preparedness

Market forces will be relied upon as the principal response mechanism in an energy emergency. To supplement the operation of the market, the Emergency Preparedness program provides an ongoing capability for the coordination of effective energy emergency preparedness activities designed to reduce the vulnerability of the Nation to energy supply disruptions. The FY 1985 request of $6.2 million will provide for development of energy security related analyses and assessments; support for the Strategic Petroleum Reserve; refinement of strategies for the development of domestic economic response options; participation in the energy activities of such international organizations as the International Energy Agency and NATO; and continued development of an emergency operations capability.

Energy Information Administration

The goal of the Energy Information Administration (EIA) is to produce and provide relevant, timely, and accurate energy information to the Executive Branch, Congress, State governments, and the public as an aid to decisionmakers in all sectors of society. To accomplish this, EIA collects, processes, and interprets

energy data and exercises independent judgement in the gathering, analysis and dissemination of information. The budget request of $57.9 million will provide for continuing the design, development and maintenance of basic energy information and data systems and for support of the Federal Energy Regulatory Commission on a reimbursable basis. In addition, the requested funds will allow for retaining the analytical capability to assess, interpret, and analyze data relevant to current energy issues and for conducting certain essential quality maintenance activities.

Economic Regulatory Administration

In FY 1985 the primary activity of the Economic Regulatory Administration (ERA) will be to settle or complete the litigation of alleged pricing violations of the Emergency Petroleum Allocation Act of 1973, which occurred prior to decontrol of oil in January 1981. The ERA will also authorize the import and export of natural gas; authorize the export of electricity and the construction and operation of transmission facilities at international borders; and process requests from electric utilities seeking orders to convert existing oil and gas burning powerplants to coal. The request for these activities is $15.3 million. In addition, a $3.0 million FY 1984 supplemental appropriation is being requested to provide the support necessary to continue the litigation of overcharge violation cases unresolved in FY 1983.

Office of Hearings and Appeals

The Office of Hearings and Appeals (OHA) is responsible for all the Department's adjudicatory processes other than those administered by the FERC or the Board of Contract Appeals. The OHA reviews and grants exceptions to individual firms or persons where a Department-issued rule, regulation, or order results in a serious hardship, gross inequity or unfair distribution of burdens. The Office is also responsible for deciding final appeals in matters under the jurdisdiction of the Secretary. In the enforcement area, OHA provides an adjudicatory forum to consider contested issues of fact and law prior to the issuance of a final Remedial Order and administers refund proceedings involving funds obtained as a result of petroleum enforcement and settlement actions. The FY 1985 request is $5.6 million.

Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission (FERC) is responsible for regulating the national operations of public utilities to ensure that businesses and consumers have adequate energy supplies at just and reasonable rates and for allowing the utilities fair rates of return to provide incentives for increased production of energy supplies. The Commission has jurisdiction over 8,500 natural gas producers, 150 natural gas pipeline companies, more than 1,500 hydropower projects, 150 oil pipeline companies, and 214 electric utilities. The FY 1985 funding request of $100.7 million is to be offset by fees, annual charges, and other revenues estimated at $60 million.

FEDERAL ENERGY REGULATORY COMMISSION	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Natural Gas Regulation	$ 44.4	$ 48.6
Hydropower Licensing	23.6	26.1
Oil Pipeline Regulation	5.3	5.9
Electric Power Regulation	18.0	20.1
Subtotal	91.3	100.7
Less FERC Revenues	-45.1	-60.0
Subtotal	$ 46.2	$ 40.7
Proposed FY 1984 Supplemental	-1.7	---
TOTAL, FEDERAL ENERGY REGULATORY COMMISSION	$ 44.5	$ 40.7

GENERAL SCIENCE

The Department's General Science programs support basic research to discover and understand the fundamental constituents of matter and energy and the basic forces in nature. An understanding of the laws of nature and the basic components from which matter and energy are composed forms the foundation upon which modern science and technology rests. Deeper understanding correspondingly contributes, sometimes in spectacular ways, to all scientific disciplines and to our Nation's technological base. This research is conducted through two programs: High Energy Physics and Nuclear Physics. Program direction funds provide the salaries, benefits and associated costs for the staff for these two programs.

Funding for these programs is proposed as follows:

	Budget Authority (in millions)	
GENERAL SCIENCE	FY 1984 Estimate	FY 1985 Request
High Energy Physics	$ 480.0	$ 561.0
Nuclear Physics	159.0	183.6
Program Direction	2.3	2.2
Savings from Management Initiatives	---	-.7
TOTAL, GENERAL SCIENCE	$ 641.3	$ 746.1

HIGH ENERGY PHYSICS

High Energy Physics is an exploratory field of basic research in which experimental and theoretical studies are conducted on the fundamental constituents of matter and the fundamental forces of nature in an attempt to understand energy and matter and their transformations. The method of achieving the program objectives involves the use of large particle accelerators, colliding beam facilities, and particle detectors. Proposals from university and laboratory user groups for accelerator research time are evaluated by scientific program advisory committees which recommend those proposals with the greatest scientific merit.

The FY 1985 budget request of $561.0 million for the High Energy Physics program will allow the overall utilization of present accelerator facilities to be about 55 percent. The maximum realistic utilization rate on the High Energy Physics accelerators is approximately 80 percent due to planned maintenance and necessary down time between experiments. Present facilities include the Energy Saver/Tevatron superconducting synchrotron at FERMILAB, the Alternating Gradient Synchroton (AGS) at Brookhaven, the Stanford Linear Electron Accelerator (SLAC), and the Positron-Electron Project (PEP) at Stanford. The request provides effective support for the research groups that conduct experimental research, primarily using the DOE supported accelerators, and theoretical research. University based groups play a major role in the research effort.

This budget also will permit the continuation of current construction projects as planned, including supporting research and development. Preliminary research and development for the Superconducting Super Collider (SSC) will include development and evaluation of technical options for superconducting magnets and other accelerator components, development and validation of cost-saving design and fabrication techniques, consideration of design alternatives, and trade-off and cost optimization studies.

NUCLEAR PHYSICS

Nuclear Physics is an exploratory field of basic research in which experimental and theoretical studies are conducted on the structure and behavior of atomic nuclei, and on understanding the behavior of nuclei in terms of the fundamental constituents of matter and laws of nature. The FY 1985 request of $183.6 million is necessary to maintain the overall utilization of the national accelerator facilities at 90 percent of the FY 1984 utilization level. The overall utilization rate for the Nuclear Physics facilities is based on beam-hours-per-year for research.

A central feature of the FY 1985 Nuclear Physics program is the initiation of construction of the Continuous Electron Beam Accelerator Facility project with Southeastern University Research Associates. This will be a major facility centering on an electron linear accelerator/stretcher ring complex capable of delivering intense, continuous beams in the energy range from 500 to 4,000 million electron volts (MeV). The intensity of the beam, in combination with multi-billion electron volts (GeV) energy and a unique high duty factor, will make this facility unmatched in the world. The budget also provides for completion of the University Accelerator Upgrade project at the University of Washington and at Yale University and for completion of the construction phase of the Tandem/AGS Heavy Ion Transfer line project at the Brookhaven National Laboratory.

STRATEGIC PETROLEUM RESERVE

The creation of the Strategic Petroleum Reserve (SPR) was mandated by the Energy Policy and Conservation Act of 1975 to reduce the Nation's vulnerability to oil supply disruptions. The Omnibus Budget Reconciliation Act of 1981 established an off-budget account for petroleum acquisition and transportation funds.

As currently planned, the SPR will provide a total of 750 million barrels of oil in storage by 1991 as insurance against further embargoes or interruptions in supply. This is equivalent to approximately six months of the 1982 net U.S. crude oil and product imports. The budget request projects a cumulative fill of 482 million barrels by the end of FY 1985.

	Budget Authority (in millions)	
STRATEGIC PETROLEUM RESERVE	FY 1984 Estimate	FY 1985 Request
Planning and Management Support	$ 6.3	$ 5.6
Storage Facilities Development	142.3	441.3
Program Direction	10.2	12.3
Petroleum Acquisition and Transportation	650.0	1,889.5
Savings from Management Initiatives (On-Budget)	---	-12.0
TOTAL, STRATEGIC PETROLEUM RESERVE	$ 808.8	$ 2,336.7
Less: Off-Budget Petroleum Account	-650.0	-1,889.5
On-Budget Strategic Petroleum Reserve	$ 158.8	$ 447.2

FACILITIES DEVELOPMENT

The FY 1985 Facilities Development and Operations request of $441.3 million includes $323.6 million for Phase III, which provides for the full scale development of the site at Big Hill, Texas, and continued development at Bryan Mound, West Hackberry and Bayou Choctaw. Completion of Big Hill Stage I construction and off-site construction of water intake structure and water/brine disposal pipelines, as well as 75 percent completion of Stage II drilling of the remaining wells, is planned. In addition, the request provides $117.7 million for continued Phase II development and non-phase specific activities, which include on-going operations and maintenance, engineering and capital improvements.

OIL ACQUISITION AND TRANSPORTATION

The petroleum acquisition program will continue with a goal of having 482 million barrels of oil in storage by the end of FY 1985. The request of $1,889.5 million envisions an average annual fill rate of 186,000 barrels per day in FY 1984 and 145,000 barrels per day in FY 1985, with 26.5 million barrels on order for delivery in FY 1986.

DEFENSE ACTIVITIES

The Department of Energy supports the national defense through research, development, testing and production of nuclear weapons and materials in support of Department of Defense requirements. Other responsibilities include management of nuclear waste generated by these activities, development of improved safeguards and security systems for nuclear weapons, materials and facilities, and naval nuclear propulsion development. Research and development supporting the verification of nuclear test treaty compliance and security investigations are also carried out in Defense Activities. Included in the FY 1984 estimate is a supplemental request of $157.6 million to fund unanticipated state tax liabilities and to comply with security, safeguards and environmental protection requirements. The budget request for each element is as follows:

	Budget Authority (in millions)	
DEFENSE ACTIVITIES	FY 1984 Estimate	FY 1985 Request
Weapons Activities	$3,773.2	$4,543.1
Materials Production	1,621.7	1,864.2
Verification and Control Technology	67.9	76.7
Defense Waste and Byproducts Management	681.1	752.8
Nuclear Safeguards and Security	52.0	62.7
Security Investigations	29.5	34.0
Naval Reactors Development	493.0	496.9
Savings from Management Initiatives	---	-24.5
Subtotal	$6,718.4	$7,805.9
Proposed FY 1984 Supplemental	-157.6	---
TOTAL, DEFENSE ACTIVITIES	$6,560.8	$7,805.9

WEAPONS ACTIVITIES

The goals of the Weapons Activities program are to provide for the research, development, engineering, testing, and production of all U.S. nuclear weapons; maintenance of reliable weapons for their stockpile life; and retirement and disposal of nuclear weapons from the stockpile. A related effort involving research in inertial confinement fusion is also provided for in this budget because of its relevance to weapons research, particularly with respect to laboratory scale investigation of certain phenomena pertinent to weapons physics. The following table summarizes the FY 1985 funding request:

WEAPONS ACTIVITIES	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Research, Development and Testing	$1,409.3	$1,723.2
Inertial Confinement Fusion	169.7	138.0
Production and Surveillance	2,136.7	2,621.7
Program Direction	57.5	60.2
Subtotal	$3,773.2	$4,543.1
Proposed FY 1984 Supplemental	-65.6	---
TOTAL, WEAPONS ACTIVITIES	$3,707.6	$4,543.1

The Research, Development and Testing program objectives provide for maintaining the capability to design, test, and certify new weapons; advancing the state-of-the-art of weapons technology; and monitoring the nuclear weapons stockpile to assure continued reliability and effectiveness. The FY 1985 budget request of $1,723.2 million will support efforts to explore the President's strategic defense initiative within the nuclear weapons technology base and initiate the Nuclear Weapons Research, Development and Testing Facility Revitalization project. The FY 1984 supplemental request of $29.1 million provides for unanticipated state tax liabilities and the initiation of safeguards and security improvements at the weapons complex.

Inertial Confinement Fusion is a research and development program directed toward determining the feasibility of burning very small masses of thermo-nuclear fuel using a laser or particle beam generator as the driver. In the near-term, the program has weapons physics applications; in the long-term, Inertial Confinement Fusion could have energy applications. The budget request of $138.0 million provides funds to support experimental efforts needed to explore the physics and the feasibility of this concept. In mid-FY 1985 the experimental program on the Antares facility will be completed. Final funding for construction of the Particle Beam Fusion Accelerator II at Sandia National Laboratory is provided in FY 1985. Experimental programs on the NOVA and Particle Beam Fusion Accelerator II facilities will begin in FY 1985 and FY 1986, respectively.

The goal of the Production and Surveillance program is to produce and deliver new warheads, projectiles, and bombs for the nuclear weapons stockpile; maintain modern manufacturing capabilities for the future production of weapons; and maintain the nuclear weapons stockpile in a high state of readiness and reliability. The weapons in production include the B61-3 Bomb, B61-4 Bomb, W76 TRIDENT, W79 8-Inch Artillery Fired Atomic Projectile Warhead, W80-0 Sea Launched Cruise Missile Warhead, W80-1 Air Launched Cruise Missile Warhead, B-83 Bomb, W84 Ground Launched Cruise Missile Warhead and the W85 Pershing II Warhead. Also included are pre-production efforts which will be conducted in FY 1985 for the W81 Standard Missile 2, W87 Peacekeeper and Trident II Warheads. Funding is also requested to maintain and rehabilitate facilities throughout the weapons production complex. Total requested FY 1985 funding for the Production and Surveillance program is $2,621.7 million. The FY 1984 supplemental request of $36.5 million provides funding for unanticipated state tax liabilities and the initiation of activities to comply with safeguards and environmental protection requirements.

Weapons Activities Program Direction funds the Federal staffing required for the management of the weapons program, including the Office of the Assistant Secretary for Defense Programs, the Office of Military Application and the Albuquerque and Nevada Operations Offices. Also included is the Community Assistance program which helps support communities in Los Alamos, New Mexico and Oak Ridge, Tennessee where a significant proportion of the residents are employed by the Department. The FY 1985 budget request of $60.2 million provides funding to fully support the Community Assistance program and an increase in Federal staffing required to manage the weapons complex.

MATERIALS PRODUCTION

The Materials Production program supports the production of nuclear materials for use in the national security programs. Nuclear materials, in small quantities, are also produced for DOE reactor research and development programs, other Government agencies, industries, and foreign governments under civilian international cooperation agreements. Included in the FY 1984 estimate is a supplemental request of $85.8 million for security activities at Idaho and Savannah River, environmental activities at Savannah River, and a weapons support project at Oak Ridge. The following table provides additional detail about the budget request:

MATERIALS PRODUCTION	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Reactor Operations	$ 514.5	$ 600.2
Processing of Nuclear Materials	391.8	444.3
Supporting Services	459.4	425.4
Enriched Material	140.0	245.3
Capital Equipment	98.5	128.7
Program Direction	17.5	20.3
Subtotal	$1,621.7	$1,864.2
Proposed FY 1984 Supplemental	-85.8	---
TOTAL, MATERIALS PRODUCTION	$1,535.9	$1,864.2

The budget request of $1,864.2 million provides for operation of a reactor feed material production complex, production reactors at Savannah River and Richland; spent fuel chemical processing plants at Savannah River, Richland and Idaho; research and development efforts on long-range alternatives for the production of nuclear materials; and support facilities integral to the operation of the program.

42

VERIFICATION AND CONTROL TECHNOLOGY

This program supports the development and execution of U.S national security and foreign policy in the areas of treaty verification, intelligence, arms control, and export control as they relate to nuclear weapons issues. Major activities in FY 1985 include continued satellite sensor development and treaty verification. The budget request of $76.7 million will also continue development of the technology base for seismic, nonseismic, on-site monitoring and sample analysis activities. The FY 1984 supplemental request of $6.2 million will fund production and supporting research and development related to the current satellite sensor delivery schedules and current requirements for analytical support to the intelligence community.

DEFENSE WASTE AND BYPRODUCTS MANAGEMENT

The goal of the Defense Waste and Byproducts Management program is to provide for safe interim storage or utilization of radioactive waste and byproducts generated primarily from nuclear materials production and naval propulsion while continuing the development of technologies and facilities for the final disposal of defense waste. The program has three primary elements: Interim Waste Operations, Long-Term Waste Management Technology, and Terminal Storage. These elements provide mainly for the handling and disposal of low-level and airborne radioactive waste, the storage of transuranic and high-level waste, development of technology for the long-term management of radioactive waste, and the demonstration of the safe disposal of defense waste. The FY 1985 budget supports the implementation of the major policies contained in the Defense Waste Management Plan which was prepared in response to Public Law 97-90 and signed by the President on June 16, 1983.

DEFENSE WASTE AND BYPRODUCTS MANAGEMENT	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Interim Waste Operations	$ 313.0	$ 329.0
Long-Term Waste Management Technology	213.0	334.2
Terminal Storage	137.6	87.5
Byproducts and Beneficial Uses	15.0	---
Program Direction	2.5	2.1
TOTAL, DEFENSE WASTE AND BYPRODUCTS MANAGEMENT	$ 681.1	$ 752.8

Fiscal Year 1985 efforts will continue the upgrading of waste handling, storage, and disposal operations by transferring high-level waste from old single-shell tanks at Savannah River and Hanford into new double-shell tanks, construction of new facilities, improvement of facilities, upgrading of burial ground operations and the management of defense surplus facilities. The long-term program in FY 1985 will focus on construction of the Defense Waste Processing Facility at Savannah River, construction of the Waste Isolation Pilot Plant and preparation of transuranic waste at Idaho and other DOE sites for planned shipment to the Waste Isolation Pilot Plant.

43

NUCLEAR SAFEGUARDS AND SECURITY

The Nuclear Safeguards and Security program is responsible for developing measures to assure adequate protection of the Department's nuclear weapons, nuclear materials, facilities, and classified information against theft and sabotage. The program also provides safeguards-related technical support to U.S. and international nonproliferation activities. FY 1985 program objectives emphasize improved effectiveness of safeguards and security through guard forces training, improved personnel access control, evaluation of existing systems to meet site-specific needs, and assistance in implementation of safeguards improvements. Efforts will continue in support of classification activities, development of international safeguards, training of foreign safeguards personnel, tracking of nuclear materials shipments, and development of technology in physical protection and material accounting. Requested FY 1985 funding is $62.7 million.

SECURITY INVESTIGATIONS

The objective of the Security Investigations Program is to insure that the common defense and security of the United States will not be endangered by the granting of security clearances to all DOE and DOE contractor personnel who must, in the performance of their work, have access to Restricted Data, a designated Critical Sensitive position. Recent clearance support has been sufficient to provide for DOE and contractor needs. Approximately 31,130 security investigations will be performed in FY 1985, a slight increase over FY 1984. Security investigations are performed for DOE by the Office of Personnel Management and the Federal Bureau of Investigation. Funding requested for this effort in FY 1985 is $34.0 million.

NAVAL REACTORS DEVELOPMENT

The Naval Reactors Development program carries out nuclear propulsion development work essential to the U.S. Navy. Nuclear propulsion provides the Navy with ships having virtually unlimited high speed endurance, and allows ships to be designed with greatly increased capability for sustained combat operations. In FY 1985, the requested amount for this program is $496.9 million. It provides for the design, development, testing, and evaluation of improved naval nuclear propulsion plants and reactor cores having long fuel life, high reliability, improved performance, and simplified operating and maintenance requirements. The nuclear propulsion plants cover a wide range of configurations varying in size from small submarines to large surface ships. The ultimate objective of the program is to develop reactor cores that will last the lifetime of the ship.

Major programs include a Submarine Test Core to test improved reactor fuels and materials; an Advanced Fleet Reactor which utilizes new concepts resulting in longer lifetime; a modified process for the production of advanced fuel elements which will increase reactor life and power; an advanced design plant for application in future classes of higher speed submarines; and an improved higher power and longer life core for shipboard application. Other major programs include investigation of advanced reactor concepts; and materials and corrosion testing aimed at extending the life of reactor plants and components beyond the original 20 to 30 year design lifetime in support of the Department of Defense policy of extending ship lifetime.

SUPPORT ACTIVITIES

Support Activities include general management and support activities benefiting all elements of the Department of Energy. The budget request totals $207.0 million, and is distributed in the following manner:

SUPPORT ACTIVITIES	Budget Authority (in millions) FY 1984 Estimate	FY 1985 Request
Office of the Secretary	$ 1.3	$ 1.6
Board of Contract Appeals	.3	.4
General Counsel	14.1	12.0
Inspector General	14.7	21.7
Management and Administration	131.5	134.2
Operations Offices	93.9	90.1
Office of Minority Economic Impact	1.7	2.4
Policy, Planning and Analysis	6.3	6.8
Congressional, Intergovernmental, and Public Affairs	6.6	4.2
International Affairs	3.3	4.3
Technical Information Management Program	16.0	15.5
In-House Energy Management	15.7	24.0
Plant Engineering and Design	1.0	---
Cost of Work for Others	116.2	115.7
Subtotal	$ 422.6	$ 432.9
Miscellaneous Revenues	-135.2	-126.2
Revenues not Associated With Cost of Work	-74.4	-93.3
Savings from Management Initiatives	---	-6.4
Subtotal	$ 213.0	$ 207.0
Use of Prior Year Balances and Other Adjustments	-25.0	-29.0
TOTAL, SUPPORT ACTIVITIES	$ 188.0	$ 178.0

The Office of the Secretary assures the formulation, implementation and articulation of energy policies, regulations and legislation. The Board of Contract Appeals resolves contract disputes between the Department and its contractors. The General Counsel provides legal opinions, advice, and legislative drafting services to all Departmental programs except the Federal Energy Regulatory Commission. The Office of the Inspector General undertakes audits, inspections, and investigations of DOE programs and operations to ensure compliance with the applicable laws and regulations and to guard against possible waste, fraud, and abuse.

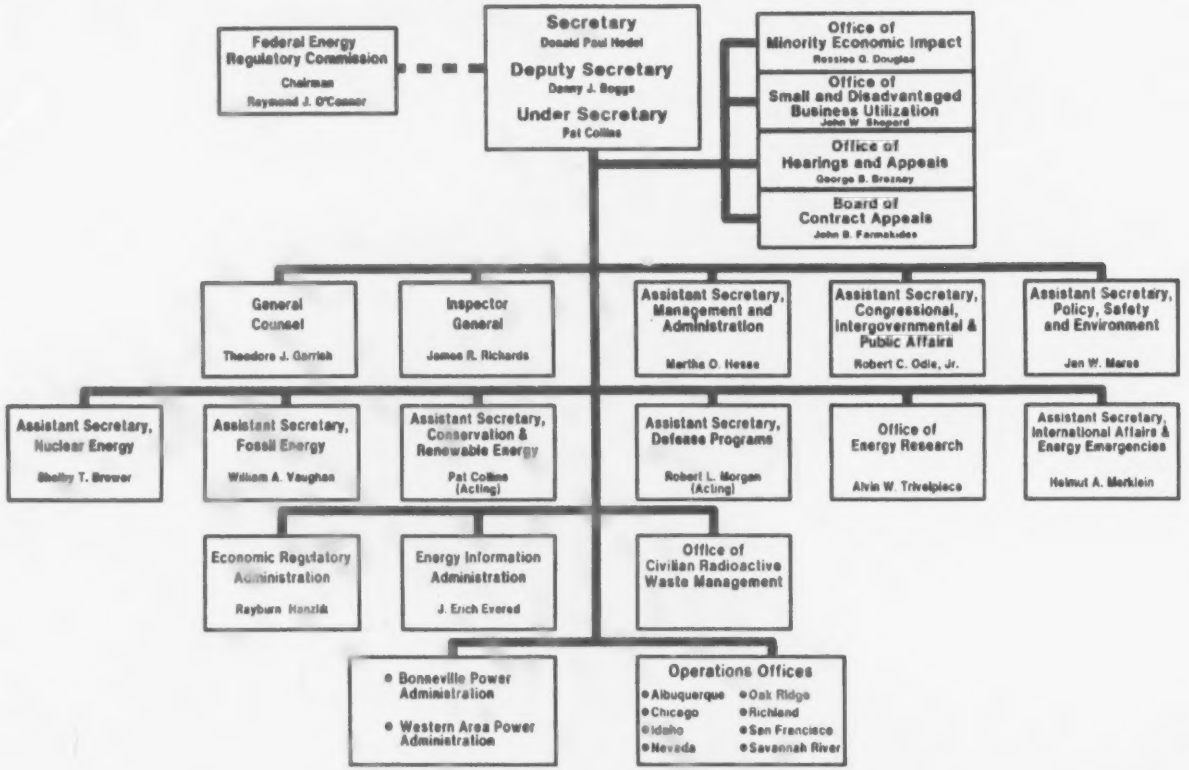
Management and Administration provides the essential management and administrative services necessary to support the Department's programs and missions in the most efficient, effective and economical manner. The five multiprogram Operations Offices manage and execute Headquarters-delegated program and project responsibilities in the field. The Office of Minority Economic Impact advises how the Department's programs, policies and regulations affect minorities, conducts an on-going research program, provides management and technical assistance to minority businesses and to minority educational institutions, and provides financial assistance in the form of loans to minority businessess. The Office of Policy, Planning, and Analysis acts as the principal staff advisor to the Secretary in the review of existing and prospective energy policies; provides objective policy analysis and evaluation within the Department; and carries out studies mandated by Congress.

Congressional, Intergovernmental, and Public Affairs develops, manages and coordinates Departmental relations with the Congress; news media; State, territorial, tribal, and local governments; other Federal agencies; consumer/citizen and business organizations; and the general public. This office also fosters and assures competition in the energy industry. The Office of International Affairs is responsible for coordinating the development of international energy technology cooperation, developing policies for energy related trade issues based on analyses of strategic and economic factors, developing and implementing international nuclear non-proliferation policies, and managing U.S./DOE participation in international energy emergency planning.

The Technical Information Management Program has the centralized responsibility to ensure that the results from the Department's multibillion dollar research and development programs are effectively disseminated. The In-House Energy Management program funds energy conservation retrofit projects at the Department's facilities, providing a 35 percent rate of return on investment while saving energy. The Plant Engineering and Design program provides advance funding of architect-engineering services for new construction projects. In FY 1985 this activity is funded directly from the programs.

Cost of Work for Others represents the full cost of products and services provided by the Department to qualified non-DOE users. The Department collects revenues as offsets to the Cost of Work for Others program and in payment for other products and services provided.

THE DEPARTMENT OF ENERGY



January 1984

MAP OF DOE FIELD FACILITIES AND OPERATIONS

APPENDIX C

BUDGET BY APPROPRIATION

55

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY ENERGY AND
WATER DEVELOPMENT APPROPRIATIONS

ENERGY SUPPLY RESEARCH AND DEVELOPMENT

	FY 1984 ESTIMATE	FY 1985 REQUEST
SOLAR ENERGY		
SOLAR BUILDINGS ENERGY SYSTEMS.....	16,450	11,885
PHOTOVOLTAIC ENERGY SYSTEMS.....	50,400	47,500
SOLAR THERMAL ENERGY SYSTEMS.....	43,850	37,500
BIOFUEL ENERGY SYSTEMS.....	28,400	28,100
WIND ENERGY SYSTEMS.....	26,[illegible]30	23,300
OCEAN ENERGY SYSTEMS.....	5,500	3,500
INTERNATIONAL SOLAR ENERGY PROGRAM...	500	500
SOLAR TECHNOLOGY TRANSFER.....	3,250	6,000
PROGRAM SUPPORT.....	800	500
PROGRAM DIRECTION SOLAR ENERGY.....	6,000	4,864
SUBTOTAL, SOLAR ENERGY.....	181,650	163,649
GEOTHERMAL.....	30,459	27,087
HYDROPOWER.....	750	447
ELECTRIC ENERGY SYSTEMS.....	18,500	18,232
ENERGY STORAGE SYSTEMS.....	25,700	17,103
NUCLEAR		
CONVERTER REACTOR SYSTEMS.....	92,670	83,534
NUCLEAR WASTE TECHNOLOGY.....	14,280	13,305
CIVILIAN WASTE R&D.....	11,430	27,640

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY ENERGY AND
WATER DEVELOPMENT APPROPRIATIONS

ENERGY SUPPLY RESEARCH AND DEVELOPMENT (CONTINUED)

	FY 1984 ESTIMATE	FY 1985 REQUEST
REMEDIAL ACTION.....	98,985	152,010
ADVANCED NUCLEAR SYSTEMS.....	34,105	33,500
BREEDER REACTOR SYSTEMS.....	423,177	308,082
SUBTOTAL, NUCLEAR.....	674,647	618,071
ENVIRONMENT, SAFETY, AND HEALTH.....	32,105	37,088
BIOLOGICAL AND ENVIRONMENTAL RESEARCH.....	183,950	189,116
LIQUEFIED GASEOUS FUELS SPILL TEST FACILITY.....	3,250	2,000
FUSION.....	470,750	483,138
UNIVERSITY RESEARCH INSTRUMENTATION..	4,000	6,000
BASIC ENERGY SCIENCES.....	337,270	419,530
ENERGY RESEARCH ANALYSIS.....	2,869	3,000
UNIVERSITY RESEARCH SUPPORT.....	5,470	9,200
ADVISORY AND OVERSIGHT PROGRAM DIRECTION.....	3,400	2,900
MULTI-PROGRAM GENERAL PURPOSE FACILITIES.....	42,100	38,950
IN-HOUSE ENERGY MANAGEMENT.....	15,732	24,000
TECHNICAL INFORMATION MANAGEMENT PROGRAM.....	16,000	15,442
PLANT ENGINEERING AND DESIGN - NON-DEFENSE.....	1,000	---

57

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY ENERGY AND
WATER DEVELOPMENT APPROPRIATIONS

ENERGY SUPPLY RESEARCH AND DEVELOPMENT (CONTINUED)

	FY 1984 ESTIMATE	FY 1985 REQUEST
POLICY AND MANAGEMENT - ER.....	1,288	530
POLICY AND MANAGEMENT - EP.....	1,611	1,000
POLICY AND MANAGEMENT - NE.....	1,868	1,523
POLICY AND MANAGEMENT - CE.....	1,567	1,527
SUBTOTAL, ENERGY SUPPLY R&D.....	2,055,936	2,079,533
USE OF PRIOR YEAR BALANCES AND OTHER ADJUSTMENTS.....	-65,000	-10,052
SAVINGS FROM MANAGEMENT INITIATIVES..	---	-32,300
TOTAL, ENERGY SUPPLY R&D - B/A.....	1,990,936	2,037,181
TOTAL, ENERGY SUPPLY R&D - OUTLAYS...	(2,113,900)	(2,102,039)
URANIUM ENRICHMENT		
URANIUM ENRICHMENT ACTIVITIES.....	2,192,000	2,074,000
URANIUM RESOURCE ASSESSMENT.....	1,810	---
SUBTOTAL, URANIUM ENRICHMENT.....	2,193,810	2,074,000
REVENUES.....	-2,105,000	-2,074,000
TOTAL, URANIUM ENRICHMENT - B/A.....	88,810	---
TOTAL, URANIUM ENRICHMENT - OUTLAYS..	(2,147,000)	(31,300)
GENERAL SCIENCE		
HIGH ENERGY PHYSICS.....	480,000	561,000
NUCLEAR PHYSICS.....	159,000	183,600
HIGH ENERGY AND NUCLEAR PHYSICS PROGRAM DIRECTION.....	2,250	2,205
SUBTOTAL, GENERAL SCIENCE.....	641,250	746,805
SAVINGS FROM MANAGEMENT INITIATIVES..	---	-700
TOTAL, GENERAL SCIENCE - B/A.....	641,250	746,105
GENERAL SCIENCE - OUTLAYS.....	(621,450)	(684,316)

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY ENERGY AND
WATER DEVELOPMENT APPROPRIATIONS

ATOMIC ENERGY DEFENSE ACTIVITIES

	FY 1984 ESTIMATE	FY 1985 REQUEST
WEAPONS ACTIVITIES:		
RESEARCH AND DEVELOPMENT AND TESTING.....	1,409,300	1,723,175
INERTIAL CONFINEMENT FUSION.....	169,700	138,000
PRODUCTION AND SURVEILLANCE.....	2,136,725	2,621,700
PROGRAM DIRECTION - DEFENSE PROGRAMS.....	57,495	60,229
SUBTOTAL, WEAPONS ACTIVITIES	3,773,220	4,543,104
VERIFICATION AND CONTROL TECHNOLOGY.....	67,850	76,700
MATERIALS PRODUCTION.....	1,621,700	1,864,200
DEFENSE WASTE AND BY-PRODUCTS MANAGEMENT.....	681,100	752,771
NUCLEAR SAFEGUARDS AND SECURITY.....	52,000	62,700
SECURITY INVESTIGATIONS.....	29,500	34,000
NAVAL REACTORS DEVELOPMENT.....	493,000	496,900
SUBTOTAL, ATOMIC ENERGY DEFENSE ACTIVITIES.....	6,718,370	7,830,375
PROPOSED PROGRAM SUPPLEMENTAL.....	-157,600	---
SAVINGS FROM MANAGEMENT INITIATIVES..	---	-24,550
TOTAL, ATOMIC ENERGY DEFENSE ACTIVITIES - B/A.....	6,560,770	7,805,825
TOTAL, ATOMIC ENERGY DEFENSE ACTIVITIES - OUTLAYS.....	(6,001,550)	(7,133,084)

59

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY ENERGY AND
WATER DEVELOPMENT APPROPRIATIONS

DEPARTMENTAL ADMINISTRATION

	FY 1984 ESTIMATE	FY 1985 REQUEST
OFFICE OF THE SECRETARY.....	1,302	1,630
BOARD OF CONTRACT APPEALS.....	341	378
GENERAL COUNSEL.....	14,076	12,012
INSPECTOR GENERAL.....	14,670	21,708
MANAGEMENT AND ADMINISTRATION.....	131,513	134,194
OPERATIONS OFFICES.....	93,899	90,078
MINORITY ECONOMIC IMPACT.....	1,674	2,408
POLICY ANALYSIS AND SYSTEM STUDIES...	6,315	6,839
CONGRESSIONAL, INTERGOVERNMENTAL AND PUBLIC AFFAIRS.....	6,581	4,183
INTERNATIONAL AFFAIRS.....	3,326	4,328
COST OF WORK FOR OTHERS.....	116,191	115,704
USE OF PRIOR YEAR BALANCES AND OTHER ADJUSTMENTS.....	-25,000	-29,053
SUBTOTAL, DEPARTMENTAL ADMINISTRATION	364,888	364,409
MISCELLANEOUS REVENUES.....	-135,239	-126,151
REVENUES NOT ASSOCIATED WITH COST OF WORK.....	-74,380	-93,308
SUBTOTAL, DEPARTMENTAL ADMINISTRATION	155,269	144,950
SAVINGS FROM MANAGEMENT INITIATIVES..	---	-6,375
TOTAL, DEPARTMENTAL ADMINISTRATION - B/A.....	155,269	138,575
TOTAL, DEPARTMENTAL ADMINISTRATION - OUTLAYS.....	(145,306)	(172,003)

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY ENERGY AND
WATER DEVELOPMENT APPROPRIATIONS

	FY 1984 ESTIMATE	FY 1985 REQUEST
POWER MARKETING ADMINISTRATIONS		
ALASKA POWER ADMINISTRATION OPERATIONS & MAINTENANCE.....	3,410	3,233
BONNEVILLE POWER ADMINISTRATION.....	406,685	298,730
SOUTHEASTERN POWER ADMINISTRATION OPERATIONS & MAINTENANCE.....	20,594	35,744
SOUTHWESTERN POWER ADMINISTRATION OPERATIONS & MAINTENANCE.....	36,229	36,268
WESTERN AREA POWER ADMINISTRATION OPERATIONS & MAINTENANCE.....	195,130	248,330
SUBTOTAL, POWER MARKETING ADMINISTRATIONS	662,048	622,305
USE OF PRIOR YEAR BALANCES AND OTHER ADJUSTMENTS.....	---	-7,000
SAVINGS FROM MANAGEMENT INITIATIVES..	---	-160
TOTAL, POWER MARKETING ADMINISTRATIONS - B/A.....	662,048	615,145
TOTAL, POWER MARKETING ADMINISTRATIONS OUTLAYS.....	(364,459)	(242,711)
FEDERAL ENERGY REGULATORY COMMISSION		
OIL PIPELINE REGULATION	5,339	5,825
NATURAL GAS REGULATION.....	44,432	48,636
HYDRO POWER LICENSING.....	23,551	26,120
ELECTRIC POWER REGULATION.....	17,991	20,096
SUBTOTAL, FEDERAL ENERGY REGULATORY COMMISSION.....	91,313	100,677
REVENUES.....	-45,100	-60,000
LESS PROPOSED PAY RAISE SUPPLEMENTAL.	-1,731	---
TOTAL, FEDERAL ENERGY REGULATORY COMMISSION - B/A.....	44,482	40,677
TOTAL, FEDERAL ENERGY REGULATORY COMMISSION - OUTLAYS.....	(90,045)	(39,467)

61

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY ENERGY AND
WATER DEVELOPMENT APPROPRIATIONS

	FY 1984 ESTIMATE	FY 1985 REQUEST
NUCLEAR WASTE FUND		
NUCLEAR WASTE FUND B/A.....	319,621	327,669
NUCLEAR WASTE FUND - OUTLAYS.....	(283,616)	(350,069)
GEOTHERMAL RESOURCES DEVELOPMENT FUND		
GEOTHERMAL RESOURCES DEVELOPMENT FUND - B/A.....	2,100	121
GEOTHERMAL RESOURCES DEVELOPMENT FUND - OUTLAYS.....	(1,790)	(685)
SUBTOTAL, ENERGY AND WATER DEVELOPMENT APPROPRIATIONS - B/A.....	10,465,286	11,711,298
SUBTOTAL, ENERGY AND WATER DEVELOPMENT APPROPRIATIONS - OUTLAYS.....	(11,769,116)	(10,755,674)

62

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY INTERIOR AND
RELATED AGENCIES APPROPRIATIONS

FOSSIL ENERGY

	FY 1984 ESTIMATE	FY 1985 REQUEST
COAL		
COAL LIQUEFACTION	28,900	13,900
SURFACE COAL GASIFICATION	36,790	15,000
UNDERGROUND COAL GASIFICATION	6,000	5,850
ADVANCED RESEARCH & TECHNOLOGY DEVELOPMENT	39,250	40,267
CONTROL TECHNOLOGY & COAL PREPARATION	26,000	32,150
HEAT ENGINES AND HEAT RECOVERY	6,500	7,650
COMBUSTION SYSTEMS	18,200	31,675
FUEL CELLS	42,600	13,700
MAGNETOHYDRODYNAMICS	30,000	17,800
SUBTOTAL, COAL	234,240	177,992
PETROLEUM		
ENHANCED OIL RECOVERY	9,150	13,400
OIL SHALE	16,150	12,000
ADVANCED PROCESS TECHNOLOGY	5,000	6,200
SUBTOTAL, PETROLEUM	30,300	31,600
GAS		
UNCONVENTIONAL GAS RECOVERY	15,500	8,550
POLICY AND MANAGEMENT		
HEADQUARTERS PROGRAM DIRECTION	9,000	7,913
ETC PROGRAM DIRECTION	34,000	37,315
CAPITAL EQUIPMENT	1,500	4,500
CONSTRUCTION	5,040	5,000
SUBTOTAL, POLICY AND MANAGEMENT	49,540	54,728
SUBTOTAL, FOSSIL ENERGY	329,580	272,870
USE OF PRIOR YEAR BALANCES AND OTHER ADJUSTMENTS	-69,366	-57,989
SUBTOTAL, FOSSIL ENERGY	260,214	214,881
SAVINGS FROM MANAGEMENT INITIATIVES	---	-12,150
TOTAL, FOSSIL ENERGY - B/A	260,214	202,731
TOTAL, FOSSIL ENERGY - OUTLAYS	(333,850)	(280,474)

63

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY INTERIOR AND
RELATED AGENCIES APPROPRIATIONS

NAVAL PETROLEUM AND OIL SHALE RESERVES

	FY 1984 ESTIMATE	FY 1985 REQUEST
NAVAL PETROLEUM AND OIL SHALE RESERVES	256,600	262,854
USE OF PRIOR YEAR BALANCES AND OTHER ADJUSTMENTS	---	-39,000
SAVINGS FROM MANAGEMENT INITIATIVES	---	-50
TOTAL, NAVAL PETROLEUM AND OIL SHALE RESERVES - B/A	256,600	223,804
TOTAL, NAVAL PETROLEUM AND OIL SHALE RESERVE - OUTLAYS	(224,076)	(233,354)

ENERGY CONSERVATION

BUILDINGS AND COMMUNITY SYSTEMS	37,408	35,314
INDUSTRIAL	33,712	33,294
TRANSPORTATION	65,038	51,052
MULTI-SECTOR	12,777	26,548
SUBTOTAL, CONSERVATION	148,935	146,208
STATE AND LOCAL	280,166	252,163
POLICY AND MANAGEMENT	1,280	1,783
POLICY ANALYSIS	750	---
SUBTOTAL, CONSERVATION	431,131	400,154
FUNDS TRANSFERRED FROM THE PETROLEUM OVERCHARGE RESTITUTION FUND	---	-238,000
USE OF PRIOR YEAR BALANCES AND OTHER ADJUSTMENTS	---	-10,077
SAVINGS FROM MANAGEMENT INITIATIVES	---	-8,000
TOTAL, CONSERVATION - B/A	431,131	144,077
TOTAL, CONSERVATION - OUTLAYS	(459,367)	(379,910)

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY INTERIOR AND
RELATED AGENCIES APPROPRIATIONS

EMERGENCY PREPAREDNESS AND ENERGY REGULATION

	FY 1984 ESTIMATE	FY 1985 REQUEST
EMERGENCY PREPAREDNESS	5,318	6,220
FUELS CONVERSION.....	1,679	1,335
COMPLIANCE.....	18,107	11,116
PETROLEUM OPERATIONS.....	2,141	1,433
PROGRAM ADMINISTRATION.....	1,311	1,484
OFFICE OF HEARINGS AND APPEALS.....	5,349	5,569
SUBTOTAL, EMERGENCY PREPAREDNESS AND ENERGY REGULATION - B/A.....	33,905	27,157
LESS PROPOSED SUPPLEMENTAL.....	-3,000	---
LESS PROPOSED PAY RAISE SUPPLEMENTAL	-575	---
TOTAL, EMERGENCY PREPARDENESS AND ENERGY REGULATION - B/A.....	30,330	27,157
TOTAL, EMERGENCY PREPAREDNESS AND ENERGY REGULATION - OUTLAYS.....	(35,440)	(30,508)

STRATEGIC PETROLEUM RESERVE

STRATEGIC PETROLEUM RESERVE ON-BUDGET STRATEGIC PETROLEUM RESERVE.....	158,770	459,190
SAVINGS FROM MANAGEMENT INITIATIVES..	---	-12,000
SUBTOTAL, ON-BUDGET STRATEGIC PETROLEUM RESERVE.....	158,770	447,190
OFF-BUDGET SPR	650,000	1,889,550
TOTAL STRATEGIC PETROLEUM RESERVE....	808,770	2,336,740
STRATEGIC PETROLEUM RESERVE ON-BUDGET - OUTLAYS.....	(203,101)	(356,989)
STRATEGIC PETROLEUM RESERVE - OFF-BUDGET - OUTLAYS.....	(2,157,000)	(1,668,320)

65

DEPARTMENT OF ENERGY
FY 1985 BUDGET
(BUDGET AUTHORITY IN THOUSANDS OF DOLLARS)

PROGRAMS FUNDED BY INTERIOR AND
RELATED AGENCIES APPROPRIATIONS

ENERGY INFORMATION ACTIVITIES

	FY 1984 ESTIMATE	FY 1985 REQUEST
COLLECTION PRODUCTION AND ANALYSIS...	38,642	37,852
PROGRAM SERVICES.....	11,839	11,013
POLICY AND MANAGEMENT.....	7,100	8,998
SUBTOTAL, ENERGY INFORMATION ACTIVITIES.....	57,581	57,863
LESS PROPOSED PAY RAISE SUPPLEMENTAL	-521	---
TOTAL, ENERGY INFORMATION ACTIVITIES - B/A.....	57,060	57,863
TOTAL, ENERGY INFORMATION ACTIVITIES - OUTLAYS.....	(58,732)	(61,889)
ALTERNATIVE FUELS PRODUCTION - OUTLAYS	(5,000)	(2,847)
SUBTOTAL, INTERIOR AND RELATED AGENCIES APPROPRIATIONS - B/A.....	1,844,105	2,992,372
SUBTOTAL, INTERIOR AND RELATED AGENCIES APPROPRIATIONS - OUTLAYS.....	(3,476,566)	(3,014,291)
PAYMENTS TO STATES (PERMANENT INDEFINITE APPROPRIATION) B/A.....	570	570
PAYMENTS TO STATES - OUTLAYS.....	(164)	(570)
TOTAL, DEPARTMENT OF ENERGY.....	12,309,961	14,704,240
LESS: OFF-BUDGET SPR.....	650,000	1,889,550
TOTAL, BUDGET AUTHORITY.....	11,659,961	12,814,690
TOTAL, OUTLAYS.....	(15,245,846)	(13,770,535)

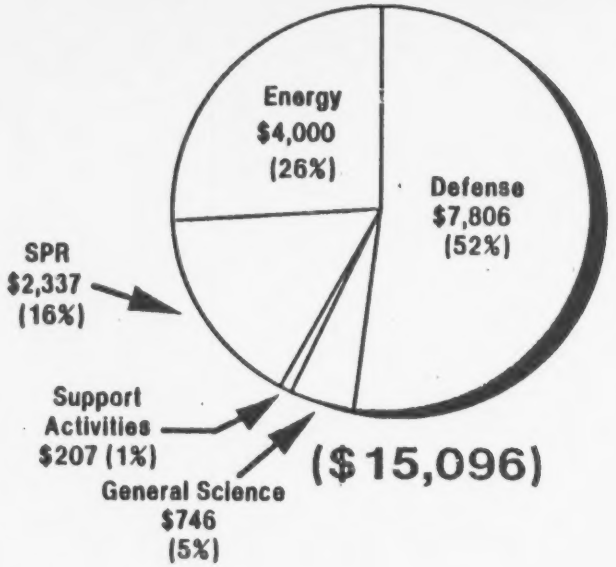
Department of Energy
FY 1985 Budget

Summary

Department of Energy
FY 1985 Budget

Summary

Breakdown of DOE Programs by Primary Mission
(Budget Authority in Millions)



Department of Energy
FY 1985 Budget

Overview

	Budget Authority			%
	1983	1984	1985	Change
	($ in Millions)			
On-Budget Appropriations	$10,938	$11,660	$12,911	+11
Less FY 1985 Offset Resulting from Management Initiatives	---	---	-96	---
Subtotal, DOE	$10,938	$11,660	$12,815	+10
Off-Budget SPR	2,074	650	1,890	+191
Funds Transferred From The Petroleum Overcharge Restitution Fund	---	---	238	---
Proposed FY 1984 Supplementals	---	163	---	---
Use of Prior Year Balances and Other Adjustments	122	160	153	-4
Total, DOE	$13,134	$12,633	$15,096	+19

Department of Energy
FY 1985 Budget

Summary By Appropriation

	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Energy Supply Research & Development	$ 2,228	$ 1,991	$ 2,037	+2
Uranium Enrichment	101	89	---	---
General Science & Research	557	641	746	+16
Atomic Energy Defense Activities	5,733	6,718	7,806	+16
Departmental Administration	216	155	139	-10
Power Marketing Activities	592	662	615	-7
Federal Energy Regulatory Commission	89	47	41	-13
Nuclear Waste Fund	219	320	328	+3
Geothermal Resources Development Fund	---	2	---	---
Subtotal, Energy and Water Development Activities	$ 9,735	$10,625	$ 11,712	+ 10
Fossil Energy Research & Development	217	260	203	- 22
Naval Petroleum & Oil Shale Reserves	222	257	224	- 13
Energy Conservation	429	431	382	- 11
Emergency Preparedness & Energy Regulation	38	34	27	- 21
Strategic Petroleum Reserve	2,316	809	2,337	+189
Energy Information Activities	55	57	58	+2
Subtotal, Interior and Related Agencies Activities	$ 3,277	$ 1,848	$ 3,231	+75
Subtotal, Department of Energy	$13,012	$12,473	$14,943	+20
Less: Off-Budget Strategic Petroleum Reserve	- 2,074	- 650	- 1,890	+191
Funds Transferred From The Petroleum Overcharge Fund	---	---	-238	---
Proposed FY 1984 Supplementals	---	-163	---	---
Total, Department of Energy	$10,938	$11,660	$12,815	+10

Department of Energy
FY 1985 Budget

Summary

	Budget Authority			%
	1983	1984	1985	Change
	($ in Millions)			
Energy:				
Research and Development	$2,579	$2,506	$2,409	-4
Conservation Grants	384	280	252	-10
Direct Energy Production	916	1,008	885	-12
Nuclear Waste Fund	219	320	328	+3
Other Energy Functions	182	138	126	-9
Total, Energy	$4,280	$4,252	$4,000	-6
General Science	569	641	746	+16
Strategic Petroleum Reserve	2,316	809	2,337	+189
Defense Activities	5,733	6,718	7,806	+16
Support Activities	236	213	207	-3
Subtotal, Program Level	$13,134	$12,633	$15,096	+19
Use of Prior Year Balances and Other Adjustments	-122	- 160	-153	--
Funds Transferred From The Petroleum Overcharge Restitution Fund	--	--	-238	--
Proposed FY 1984 Supplementals	--	-163	--	--
Off-budget Strategic Petroleum Reserve	-2,074	-650	-1,890	+191
Total, DOE New On-Budget Funding Requirement	$10,938	$11,660	$12,815	+10

Department of Energy
FY 1985 Budget

Research and Development	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Fusion	$ 458	$ 471	$ 483	+3
Nuclear Energy	814	675	618	-8
Environment	217	219	228	+4
Supporting Research and Technical Analysis	333	395	480	+22
Fossil Energy	311	330	273	-17
Conservation Research and Development	135	151	148	-2
Solar and Other Renewables	261	215	191	-11
Electric Energy Systems and Energy Storage	43	44	35	-21
Policy and Management	7	6	5	-17
Subtotal, Research and Development	$2,579	$2,506	$2,461	-2
Savings from Management Initiatives	---	---	-52	---
Subtotal, Research and Development	$2,579	$2,506	$2,409	-4
Use of Prior Year Balances and Other Adjustments	-58	-134	-77	---
Total, Research and Development	$2,521	$2,372	$2,332	-2

Department of Energy
FY 1985 Budget

Magnetic Fusion	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Confinement Systems	$209	$207	$214	+3
Development and Technology	84	88	87	-1
Applied Plasma Physics	77	82	89	+9
Planning and Projects	84	90	89	-1
Program Direction	4	4	4	---
Total, Magnetic Fusion	$458	$471	$483	+3

Department of Energy
FY 1985 Budget

Nuclear Fission	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Converter Reactor Systems	$ 78	$ 93	$ 84	-10
Nuclear Waste Technology	16	14	13	-7
Civilian Waste Research and Development	30	11	28	+155
Advanced Nuclear Systems	39	34	33	-3
Breeder Reactor Systems	584	424	308	-27
Remedial Action	67	99	152	+54
Total, Nuclear Fission	$814	$675	$618	-8

Department of Energy
FY 1985 Budget

Environment	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Environment, Safety and Health	$ 29	$ 32	$ 37	+16
Liquefied Gaseous Fuels Spill Test Facility	3	3	2	-33
Biological and Environmental Research	185	184	189	+3
Total, Environment	$217	$219	$228	+4

Department of Energy
FY 1985 Budget

Supporting Research and Technical Analysis	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Basic Energy Sciences	$282	$337	$420	+25
University Research Instrumentation	---	4	6	+50
University Research Support and Energy Research Analysis	9	9	12	+33
Advisory and Oversight Program Direction	3	3	3	---
Multi-program General Purpose Facilities	34	42	39	-7
Small Business Innovation Research Program	5	---[A/]	---[A/]	---
Total, Supporting Research and Technical Analysis	$333	$395	$480	+22

A/ THESE AMOUNTS ARE TO BE DETERMINED IN ACCORDANCE WITH P.L. 97-219, SMALL BUSINESS INNOVATION DEVELOPMENT ACT OF 1982.

499

Department of Energy
FY 1985 Budget

Fossil Energy	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Coal				
Control Technology and Coal Preparation	$ 28	$ 26	$ 32	+23
Advanced Research and Technology Development	32	39	40	+3
Coal Liquefaction	37	29	14	-52
Combustion Systems	24	18	32	+78
Fuel Cells	30	43	14	-67
Heat Engines and Heat Recovery	5	6	7	+17
Underground Coal Gasification	6	6	6	---
Magnetohydrodynamics	29	30	18	-40
Surface Coal Gasification	39	37	15	-60
Subtotal, Coal	$230	$234	$178	-24
Petroleum				
Advanced Process Technology	$ 5	$ 5	$ 6	+20
Enhanced Oil Recovery	7	9	14	+56
Oil Shale	12	16	12	-25
Subtotal, Petroleum	$ 24	$ 30	$ 32	+7

500

FY 1985 Budget

Fossil Energy	Budget Authority 1983	1984	1985	% Change
	($ In Millions)			
Gas				
Unconventional Gas Recovery	$ 14	$16	$8	-50
Policy and Management				
Headquarters Program Direction	$ 9	$ 9	$ 8	-11
ETC Program Direction	30	34	37	+9
Capital Equipment	1	2	5	+150
Construction	3	5	5	---
Subtotal, Policy and Management	$ 43	$ 50	$ 55	+10
Subtotal, Fossil Energy	$ 311	$ 330	$ 273	-17
Use of Prior Year Funds and Other Adjustments	-94	-70	-58	---
Savings From Management Initiatives	---	---	-12	---
Total, Fossil Energy	$ 217	$ 260	$ 203 [A/]	-22

[A/] INCLUDES $15 MILLION APPROPRIATED IN FY 1984 FOR USE IN FY 1985 FOR TVA ATMOSPHERIC FLUIDIZED BED PILOT PLANT.

Department of Energy
FY 1985 Budget

Conservation Research and Development	Budget Authority			% Change
	1983	1984	1985	
	($ in Millions)			
Buildings and Community Systems	$ 39	$ 37	$ 35	- 5
Industrial Energy Conservation	28	34	33	-3
Transportation	54	65	51	-22
Multi-Sector	13	13	27	+108
Policy and Management	1	2	2	---
Subtotal, Conservation R&D	$ 135	$ 151	$ 148	-2
Use of Prior Year Balances and Other Adjustments	-25	---	-9	---
Savings From Management Initiatives	---	---	-8	---
Total, Conservation Research and Development	$ 110	$ 151	$131	-14

202

Department of Energy
FY 1985 Budget

Solar Energy	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Solar Buildings Energy Systems	$ 12	$ 16	$ 12	-25
Photovoltaic Energy Systems	58	50	47	-6
Solar Thermal Energy Systems	49	44	37	-16
Biofuels Energy Systems	21	28	28	---
Wind Energy Systems	31	27	23	-15
Ocean Energy Systems	11	6	4	-33
International Solar	10	1	1	---
Solar Technology Transfer	3	3	6	+100
Program Direction	6	6	5	-17
Program Support	1	1	1	--
Total, Solar Energy	$202	$182	$164	-10

Department of Energy
FY 1985 Budget

Solar and Other Renewables	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
Solar Energy	$ 202	$ 182	$ 164	-10
Geothermal	57	30	27	-10
Geothermal Resources Development Fund	---	2	---	---
Hydropower	2	1	---	---
Subtotal, Solar and Other Renewables	$261	$215	$191	-11
Use of Prior Year Balances and Other Adjustments	---	---	-10	
Total, Solar and Other Renewables	$ 261	$ 215	$ 181	-16

Department of Energy
FY 1985 Budget

Electric Energy Systems and Energy Storage	Budget Authority			% Change
	1983	1984	1985	
	($ in Millions)			
Electric Energy Systems	$ 17	$ 18	$ 18	---
Energy Storage Systems	26	26	17	-35
Total, Electric Energy Systems and Storage	$ 43	$ 44	$ 35	-21

Department of Energy
FY 1985 Budget

Policy & Management	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
Energy Research	$ 1	$ 1	$ 1	---
Nuclear Energy	2	1	1	---
Environmental Protection, Safety and Emergency Preparedness	2	2	1	-50
Conservation & Renewable Energy	2	2	2	---
Total, Policy & Management	$ 7	$ 6	$ 5	-17

506

Department of Energy
FY 1985 Budget

Conservation Grants	Budget Authority 1983	1984	1985	% Change
	($ In Millions)			
EPCA	$ 24	$ 24	$ ---	---
Energy Extention Service	10	10	---	---
Weatherization	245	190	190	---
Schools and Hospitals	98	48	48	---
Program Direction	7	8	14	+75
Subtotal, Conservation Grants	$ 384	$ 280	$ 252	-10
Use of Prior Year Balances and Other Adjustments	-64	---	-1	---
Funds Transferred From The Petroleum Overcharge Restitution Fund	---	---	-238	---
Total Conservation Grants	$ 320	$ 280	$ 13	

Department of Energy
FY 1985 Budget

Direct Energy Production	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
Uranium Enrichment	$ 1,932	$ 2,194	$ 2,074	-5
Revenues	-1,831	-2,105	-2,074	-2
Naval Petroleum Reserves	222	257	263	+2
Power Marketing	593	662	622	-6
Subtotal, Direct Energy Production	$ 916	$ 1,008	$ 885	-12
Use of Prior Year Balances and Other Adjustments	---	---	-46	---
Total, Direct Energy Production	$ 916	$ 1,008	$ 839	-17

508

35-235 O - 84 - 33

Department of Energy
FY 1985 Budget

Uranium Enrichment	Budget Authority			% Change
	1983	1984	1985	
	($ in Millions)			
Uranium Enrichment Activities	$ 1,927	$ 2,192	$ 2,074	-5
Uranium Resource Assessment	5	2	---	---
Subtotal, Uranium Enrichment	$ 1,932	$ 2,194	$ 2,074	-5
Revenues	- 1,831	- 2,105	-2,074	-2
Total, Uranium Enrichment	$ 101	$ 89	$ ---	$ ---

Department of Energy
FY 1985 Budget

Naval Petroleum and Oil Shale Reserves	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Naval Petroleum Reserves 1 and 2 (California)	$ 197	$ 213	$ 229	+8
Naval Petroleum Reserves 3 (Wyoming)	20	38	23	-40
Naval Oil Shale Reserves	---	---	5	---
Program Direction	5	6	6	---
Subtotal, Naval Petroleum and Oil Shale Reserves	$ 222	$ 257	$ 263	+2
Use of Prior Year Balances and Other Adjustments	---	---	-39	---
Total, Naval Petroleum and Oil Shale Reserves	$ 222	$ 257	$ 224	-13

Department of Energy
FY 1985 Budget

Power Marketing Administrations	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
Alaska Power Administration	$ 4	$ 3	$ 3	---
Bonneville Power Administration (Borrowing Authority)	384	407	299	-27
Southeastern Power Administration	4	21	36	+71
Southwestern Power Administration	21	36	36	---
Western Area Power Administration	180	195	248	+27
Subtotal, Power Marketing Administrations	$ 593	$ 662	$ 622	-6
Use of Prior Year Balances and Other Adjustments	---	---	-7	---
Total, Power Marketing Administrations	$ 593	$ 662	$ 615	-7

Department of Energy
FY 1985 Budget

NUCLEAR WASTE FUND	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
First Repository	$ 193	$ 247	$ 247	---
Second Repository	12	16	29	+81
Monitored Retrievable Storage	4	12	9	-25
Technical Support and Program Management	7	40	40	---
Interest Expense	3	5	3	-40
Total, Nuclear Waste Fund	$ 219	$ 320	$ 328	+3
Revenues	($74)	($311)	($378)	(+22)

Department of Energy
FY 1985 Budget

Emergency Preparedness and Energy Regulation	Budget Authority			
	1983	1984	1985	% Change
	($ In Millions)			
Emergency Preparedness	$ 6	$ 5	$ 6	+20
Energy Regulation	27	23	15	-35
Office of Hearings & Appeals	5	6	6	---
Subtotal, Emergency Preparedness and Energy Regulation	$38	$34	$27	-21
Proposed FY 1984 Supplementals	---	-4	---	---
Total, Emergency Preparedness and Energy Regulation	$ 38	$ 30	$ 27	-10

Department of Energy
FY 1985 Budget

Energy Information Administration	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Collection, Production & Analysis	$ 35	$ 39	$ 38	-3
Program Services	13	12	11	-8
Policy & Management	7	7	9	+29
Subtotal, Energy Information Administration	$55	$58	$58	---
Proposed FY 1984 Supplementals	---	-1	---	---
Total, Energy Information Administration	$ 55	$ 57	$ 58	+2

Department of Energy
FY 1985 Budget

Federal Energy Regulatory Commission	Budget Authority			
	1983	1984	1985	% Change
	($ in Millions)			
Oil Pipeline Regulation	$ 7	$ 5	$ 6	+20
Natural Gas Regulation	42	44	49	+11
Hydropower Licensing	22	24	26	+8
Electric Power Regulation	18	18	20	+11
Offsetting Revenues	---	-45	-60	+33
Subtotal, Federal Energy Regulatory Commission	$89	$46	$41	-11
Proposed FY 1984 Supplementals	---	-2	---	---
Total, Federal Energy Regulatory Commission	$ 89	$ 44	$ 41	-7

Department of Energy
FY 1985 Budget

General Science	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
High Energy Physics	$ 431	$ 480	$ 561	+17
Nuclear Physics	137	159	184	+16
Program Direction	1	2	2	---
Sustotal, General Science	$ 569	$ 641	$ 747	+17
Savings From Management Initiatives	---	---	-1	---
Subtotal, General Science	$ 569	$ 641	$ 746	+16
Use of Prior Year Balances and Other Adjustments	-12	---	---	
Total, General Science	$ 557	$ 641	$ 746	+16

Department of Energy
FY 1985 Budget

Strategic Petroleum Reserve	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
Off-Budget Petroleum Acquisition	$2,074	$650	$1,890	+190
On-Budget				
Planning and Management Support	$ 8	$ 6	$ 6	---
Facilities Development	222	143	441	+208
Program Direction	12	10	12	+20
Subtotal, Strategic Petroleum Reserve	$2,316	$809	$2,349	+190
Savings from Management Initiatives -				
On- Budget	---	---	-12	---
Subtotal	$2,316	$809	$2,337	+189
Less Off-Budget				
Petroleum Acquisition and Transportation	$ 2,074	$ 650	$ 1,890	+190
Total, On-Budget SPR	$ 242	$ 159	$ 447	+181

Department of Energy
FY 1985 Budget

Defense Activities	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
Weapons Activities	$ 3,346	$ 3,773	$ 4,543	+20
Materials Production	1,320	1,622	1,864	+15
Verification and Control Technology	54	68	77	+13
Defense Waste & By-Products Management	519	681	753	+11
Nuclear Safeguards and Security	47	52	63	+21
Security Investigations	29	29	34	+17
Naval Reactors Development	418	493	497	+1
Subtotal, Defense Activities	$5,733	$6,718	$7,831	+17
Savings from Management Initiatives	---	---	-25	---
Subtotal, Defense Activities	$ 5,733	$ 6,718	$ 7,806	+16
Proposed FY 1984 Supplementals	---	-158	---	---
Total, Defense Activities	$ 5,733	$ 6,560	$ 7,806	+19

Department of Energy
FY 1985 Budget

Support Activities	Budget Authority 1983	1984	1985	% Change
	($ in Millions)			
Office of the Secretary	$ 1	$ 1	$ 1	---
Board of Contract Appeals	*	*	*	---
General Counsel	13	14	12	-14
Inspector General	13	15	22	+47
Management and Administration	132	132	134	+2
Congressional, Intergovernmental & Public Affairs	7	7	4	-43
Operations Offices	93	94	90	-4
Minority Economic Impact	2	2	2	---
Policy Planning and Analysis	10	6	7	+17
International Affairs	3	3	4	+33
Cost of Work for Others	109	116	116	---
In-house Energy Management	16	16	24	+50
Technical Information Management Program	15	16	16	---
Plant Engineering and Design	1	1	---	---
Revenues	-179	-210	-219	+4
Subtotal, Support Activities	$ 236	$ 213	$ 213	---
Savings from Management Initiatives	---	---	-6	---
Subtotal, Support Activities	$ 236	$ 213	$ 207	-3
Use of Prior Year Balances and Other Adjustments	12	-25	-29	---
Total, Support Activities	$ 248	$ 188	$ 178	-5

*Less than $500 Thousand.

Department of Energy
FY 1985 Budget

Proposed FY 1984 Supplementals	Budget Authority ($ in Millions)
Atomic Energy Defense Activities:	
Materials Production	$ 4.9
Safeguards and Security	64.3
Environmental Protection	44.6
Verification and Intelligence	6.2
State Sales/Use Taxes	37.6
Subtotal, Atomic Energy Defense Activities	$157.6
Emergency Preparedness and Energy Regulation:	
Economic Regulatory Administration (Compliance)	$ 3.0
FY 1984 Pay Raise Supplemental	
Federal Energy Regulatory Commission	$ 1.7
Energy Information Administration	.5
Emergency Preparedness and Energy Regulation:	
Emergency Preparedness	.1
Economic Regulatory Administration	.4
Office of Hearings and Appeals	.1
Subtotal, FY 1984 Pay Raise Supplemental	$ 2.8
Total, FY 1984 Supplementals	$163.4

Department of Energy
FY 1985 Budget
($ in Millions)

Savings From Management Initiatives	Budget Authority 1983	1984	1985 Absorbed in budget	1985 Offset to budget
Administrative Organization Management	$---	($ 1)	$ 2	$---
Administrative Systems	---	(2)	4	---
Administrative Process/Field Structure	---		35	---
Payroll/Personnel	---		---	---
Procurement Reform	---	(10)	4	15
Financial Systems Reform	---	(34)	---	34
Printing/Publications	---		1	---
Travel Management	---		1	---
Subtotal, DOE	$---	($47)	$47	$49
FY 1984 Savings Applied to FY 1985				47
Total, DOE	$---	($47)	$47	$96

NOTE: OUTLAY REDUCTIONS OF $31.7 MILLION IN BOTH FY 1984 AND FY 1985 ARE ANTICIPATED TO RESULT FROM CASH MANAGEMENT INITIATIVES. BUDGET AUTHORITY WILL NOT BE AFFECTED BY THESE INITIATIVES. SIMILIAR REDUCTIONS ARE ANTICIPATED BEGINNING IN FY 1987 RESULTING FROM IMPROVED DEBT COLLECTION EFFORTS.

Department of Energy
FY 1985 Budget

Staffing
Full-Time Equivalents

	FY 1983, Actual	FY 1984	FY 1985	% Change
Total Programs	16,984	16,757	16,042	-4

Department of Energy
FY 1985 Budget

Energy and Water Development Activities
Staffing Full-Time Equivalents

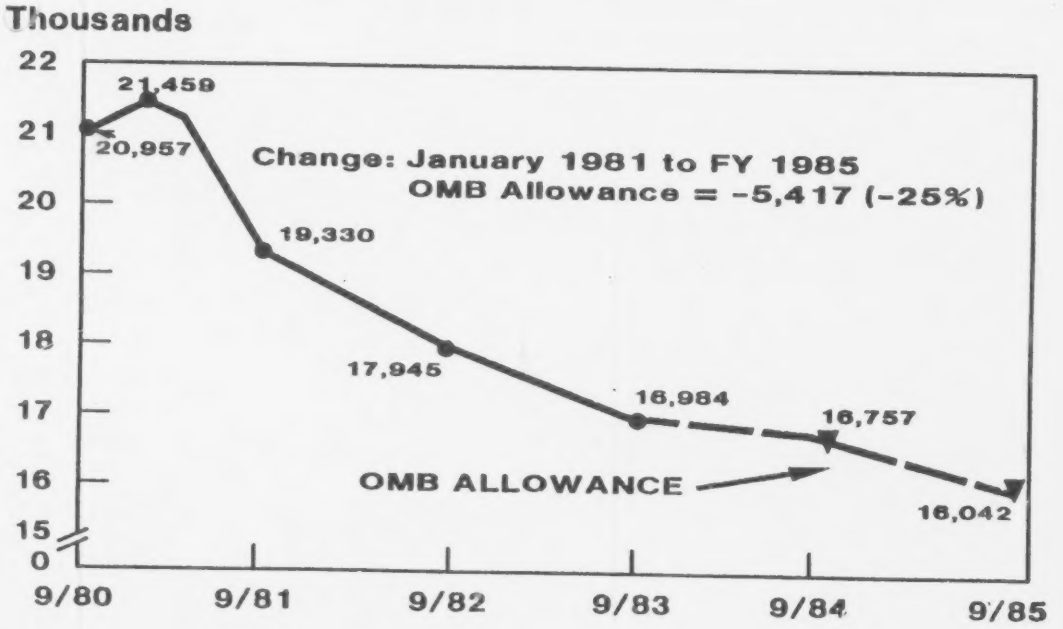
	FY 1983, Actual	FY 1984	FY 1985	% Change
Atomic Energy Defense Activities	2,576	2,642	2,564	-3
General Science and Research Activities	33	35	35	---
Energy Supply Research and Development	1,139	1,045	948	-9
Uranium Supply and Enrichment Activities	111	69	69	---
Geothermal Resources Development Fund	2	2	1	-50
Departmental Administration	3,580	3,444	3,352	-3
Nuclear Waste Disposal Fund	110	204	236	+16
Power Marketing Administrations	5,190	5,307	5,164	-3
Federal Energy Regulatory Commission	1,586	1,742	1,742	---
Advances for Cooperative Work	2	2	2	---
Total, Energy and Water Development Activities	14,329	14,492	14,113	-3

Department of Energy
FY 1985 Budget

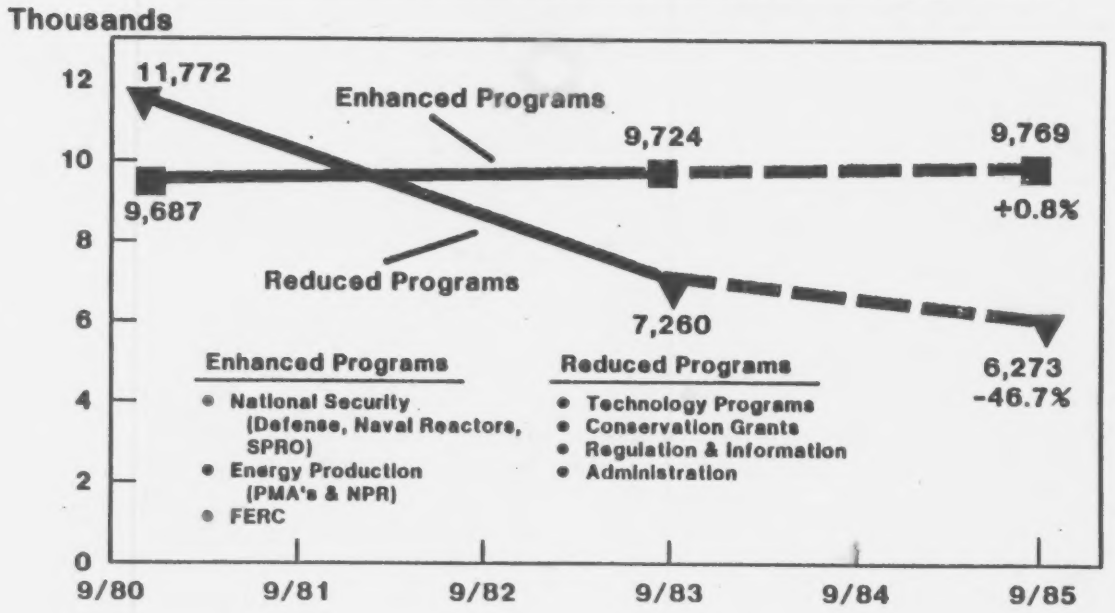
Interior and Related Agencies Activities
Staffing Full-Time Equivalents

	FY 1983, Actual	FY 1984	FY 1985	% Change
Fossil Energy R&D	932	737	637	-14
Naval Petroleum & Oil Shale Reserves	105	119	119	---
Energy Conservation	340	352	298	-15
Emergency Preparedness & Energy Regulation	600	521	369	-29
Strategic Petroleum Reserve	198	200	200	---
Energy Information Administration	480	501	471	-6
Total Interior & Related Agencies Activities	2,655	2,430	2,094	-14

Department of Energy
Total Staffing



DOE 1985 Budget Staffing Summary



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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

FILE 1

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRS B/A	FY 1985 CONG REQ. B/A	FY 1985 CONG. REV. B/A
99200	ENERGY SUPPLY R&D				
70010	SOLAR ENERGY				
70013	SOLAR BUILDINGS ENERGY SYSTEMS				
70014	OPERATING EXPENSES	16,450	-----	8,185	11,685
70015	PLANT AND CAPITAL EQUIPMENT	-----	-----	200	200
70016	TOTAL, SOLAR BUILDING ENERGY SYSTEMS	16,450	-----	8,385	11,885
70029	ACTIVE SOLAR HEATING AND COOLING				
70030	OPERATING EXPENSES	-----	29,100	-----	-----
70031	PLANT AND CAPITAL EQUIPMENT	-----	700	-----	-----
70032	TOTAL, ACTIVE SOLAR HEATING AND COOLING	-----	29,800	-----	-----
70039	PASSIVE SOLAR HEATING AND COOLING				
70040	OPERATING EXPENSES	-----	-----	-----	-----
70041	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
70042	TOTAL, PASSIVE SOLAR HEATING AND COOLING	-----	-----	-----	-----
70049	PHOTOVOLTAIC ENERGY SYSTEMS				
70050	OPERATING EXPENSES	46,500	45,500	45,500	46,500
70051	PLANT AND CAPITAL EQUIPMENT	1,500	1,000	1,000	1,000
70052	TOTAL, PHOTOVOLTAIC ENERGY SYSTEMS	50,000	46,500	46,500	47,500
70089	SOLAR THERMAL ENERGY SYSTEMS				
70090	OPERATING EXPENSES	36,750	-----	28,300	37,000
70091	PLANT AND CAPITAL EQUIPMENT	7,100	-----	500	500
70092	TOTAL, SOLAR THERMAL ENERGY SYSTEMS	43,850	-----	28,800	37,500
70099	BIOFUELS ENERGY SYSTEMS				
70100	OPERATING EXPENSES	26,900	25,800	25,800	27,100
70101	PLANT AND CAPITAL EQUIPMENT	-----	1,000	1,000	1,000
70102	TOTAL, BIOFUELS ENERGY SYSTEMS	26,900	26,800	26,800	28,100
70139	WIND ENERGY SYSTEMS				
70140	OPERATING EXPENSES	17,700	16,500	16,500	17,100
70141	PLANT AND CAPITAL EQUIPMENT	-----	100	100	200
70142	TOTAL, WIND ENERGY SYSTEMS	17,700	16,600	16,600	17,300

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 2

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IKD B/A	FY 1985 UMD REQ. B/A	FY 1985 CONG. REQ. B/A
70149	OCEAN ENERGY SYSTEMS				
70150	OPERATING EXPENSES	5,500	-----	-----	3,500
70151	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
70152	TOTAL, OCEAN ENERGY SYSTEMS	5,500	-----	-----	3,500
70189	ALCOHOL FUELS				
70190	OPERATING EXPENSES	-----	-----	-----	-----
70191	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
70240	SUBTOTAL, ALCOHOL FUELS	-----	-----	-----	-----
70259	INTERNATIONAL SOLAR ENERGY PROGRAM				
70260	OPERATING EXPENSES	500	-----	-----	500
70261	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
70262	TOTAL, INTERNATIONAL SOLAR ENERGY PROGRAM	500	-----	-----	500
70269	SOLAR TECHNOLOGY TRANSFER				
70270	OPERATING EXPENSES	3,250	3,000	3,000	6,000
70271	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
70272	TOTAL, SOLAR TECHNOLOGY TRANSFER	3,250	3,000	3,000	6,000
70279	SOLAR ENERGY RESEARCH INSTITUTE				
70280	OPERATING EXPENSES	-----	-----	-----	-----
70281	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
70282	TOTAL, SOLAR ENERGY RESEARCH INSTITUTE	-----	-----	-----	-----
70283	PROGRAM SUPPORT	500	400	400	500
70290	PROGRAM DIRECTION - OTHER SOLAR ENERGY	6,900	4,700	6,404	4,864
70291	SOLAR RESERVE ACCOUNT	-----	-----	-----	-----
70312	SUBTOTAL, SOLAR ENERGY	161,850	137,300	144,889	163,849
70313	GEOTHERMAL				
70314	OPERATING EXPENSES	20,459	20,976	20,852	26,687
70315	PLANT AND CAPITAL EQUIPMENT	-----	400	400	400
70316	TOTAL, GEOTHERMAL	20,459	21,376	21,252	27,087
70317	HYDROPOWER				
70318	OPERATING EXPENSES	750	625	407	447
70319	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
70320	TOTAL, HYDROPOWER	750	625	407	447

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 3

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
70321	ELECTRIC ENERGY SYSTEMS				
70322	OPERATING EXPENSES	18.500	11.700	17.600	17.932
70323	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	300
70324	TOTAL, ELECTRIC ENERGY SYSTEMS	18.500	11.700	17.600	18.232
70329	ENERGY STORAGE SYSTEMS				
70330	OPERATING EXPENSES	25.700	13.200	13.600	16.603
70331	PLANT AND CAPITAL EQUIPMENT	-----	-----	500	500
70332	TOTAL, ENERGY STORAGE SYSTEMS	25.700	13.200	14.100	17.103
40004	CONVERTER REACTOR SYSTEMS				
40005	OPERATING EXPENSES	88.670	83.800	55.900	80.534
40006	PLANT AND CAPITAL EQUIPMENT	4.000	2.500	1.500	3.000
40007	TOTAL, CONVERTER REACTOR SYSTEMS	92.670	86.300	57.400	83.534
40024	NUCLEAR WASTE TECHNOLOGY				
40025	OPERATING EXPENSES	13.920	17.325	17.175	12.855
40026	PLANT AND CAPITAL EQUIPMENT	360	3.825	3.825	450
40027	TOTAL, NUCLEAR WASTE TECHNOLOGY	14.280	21.150	21.000	13.305
82010	CIVILIAN WASTE R & D				
82020	OPERATING EXPENSES	10.930	25.790	26.060	25.140
82030	PLANT AND CAPITAL EQUIPMENT	500	2.500	2.500	2.500
82040	TOTAL, CIVILIAN WASTE R & D	11.430	28.290	28.560	27.640
40034	REMEDIAL ACTION				
40035	OPERATING EXPENSES	97.770	155.230	155.170	151.440
40036	PLANT AND CAPITAL EQUIPMENT	1.215	570	570	570
40037	TOTAL, REMEDIAL ACTION	98.985	155.800	155.740	152.010
40044	NUCLEAR FUEL CYCLE				
40045	OPERATING EXPENSES	-----	-----	-----	-----
40046	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
40047	TOTAL, NUCLEAR FUEL CYCLE	-----	-----	-----	-----

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IAB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REV. B/A
40064	ADVANCED NUCLEAR SYSTEMS				
40065	OPERATING EXPENSES	31.505	31.200	31.100	31.100
40066	PLANT AND CAPITAL EQUIPMENT	2.600	2.400	2.400	2.400
40067	TOTAL, ADVANCED NUCLEAR SYSTEMS	34.105	33.600	33.500	33.500
40079	BREEDER REACTOR SYSTEMS				
40080	OPERATING EXPENSES	381.977	606.750	350.660	282.907
40081	PLANT AND CAPITAL EQUIPMENT	41.200	98.400	22.000	25.175
40082	TOTAL, BREEDER REACTOR SYSTEMS	423.177	705.150	372.660	308.082
40090	SUBTOTAL, ESRD NUCLEAR ACTIVITIES	674.647	1.030.290	668.860	618.071
30009	ENVIRONMENT, SAFETY, AND HEALTH				
30010	OPERATING EXPENSES	30.505	42.400	42.100	35.588
30011	PLANT AND CAPITAL EQUIPMENT	1.600	1.500	1.500	1.500
30012	TOTAL, ENVIRONMENT, SAFETY, AND HEALTH	32.105	43.900	43.600	37.088
20002	BIOLOGICAL AND ENVIRONMENTAL RESEARCH				
20003	OPERATING EXPENSES	173.250	197.000	192.280	178.116
20004	PLANT AND CAPITAL EQUIPMENT	10.700	11.000	11.000	11.000
20005	TOTAL, BIOLOGICAL AND ENVIRONMENTAL RESEARCH	183.950	208.000	203.280	189.116
30014	PROGRAM DIRECTION				
30015	OPERATING EXP. - ESAH (EPS&EP)	-----	-----	-----	-----
20007	OPERATING EXP. - BIOLOG. & ENV. RES. (ER)	-----	-----	-----	-----
30017	TOTAL, PROGRAM DIRECTION	-----	-----	-----	-----
50430	LIQUIFIED GASEOUS SPILL TEST FACILITY				
50435	OPERATING EXPENSES	2.250	-----	2.000	2.000
50440	PLANT AND CAPITAL EQUIPMENT	1.000	-----	-----	-----
50445	TOTAL, LIQUIFIED GASEOUS SPILL TEST FACILITY	3.250	-----	2.000	2.000
20049	MAGNETIC FUSION				
20050	OPERATING EXPENSES	396.450	456.758	423.465	417.238
20051	PLANT AND CAPITAL EQUIPMENT	74.300	73.142	69.042	65.900
20052	TOTAL, MAGNETIC FUSION	470.750	529.900	492.525	483.138

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IAB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
20059	BASIC ENERGY SCIENCES				
20060	OPERATING EXPENSES	295.830	347.085	333.410	348.360
20061	PLANT AND CAPITAL EQUIPMENT	41.440	71.355	73.840	71.190
20062	TOTAL, BASIC ENERGY SCIENCES	337.270	418.440	407.250	419.530
20065	ENERGY RESEARCH OVERSIGHT,ANALY. & UNIV. SUPPORT				
20069	ENERGY RESEARCH ANALYSIS				
20070	OPERATING EXPENSES	2.869	3.000	3.000	3.000
20071	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
20072	TOTAL, ENERGY RESEARCH ANALYSIS	2.869	3.000	3.000	3.000
20112	INSTRUMENTATION INITIATIVE	4.000	10.000	-----	6.000
20079	UNIVERSITY RESEARCH SUPPORT				
20080	OPERATING EXPENSES	5.420	12.550	19.850	9.200
20081	PLANT AND CAPITAL EQUIPMENT	-----	150	150	-----
20082	TOTAL, UNIVERSITY RESEARCH SUPPORT	5.470	12.700	20.000	9.200
20083	ADVISORY & OVERSIGHT PROG. DIRECTION	3.400	4.700	3.450	2.900
20084	SUBTOTAL, ENERGY RESEARCH OS.,ANAL., & UNIV. SUP.	15.739	30.400	26.450	21.100
20085	ENERGY SCIENCE COMPUTATION RESEARCH				
20086	OPERATING EXPENSES	-----	48.610	49.295	----
20087	PLANT AND CAPITAL EQUIPMENT	-----	4.850	4.850	-----
20088	TOTAL, ENERGY SCIENCE COMPUTATION RESEARCH	-----	53.460	54.145	-----
20091	MULTI-PROGRAM FACILITIES - PACE	42.100	60.000	44.750	38.950
20095	SMALL BUSINESS INNOVATION RESEARCH PROGRAM	-----	-----	-----	-----
999352	IN-HOUSE ENERGY MANAGEMENT				
159002	OPERATING EXPENSES	1.200	2.000	2.000	2.000
159003	PLANT AND CAPITAL EQUIP	14.532	28.800	28.800	22.000
999353	TOTAL, IN-HOUSE ENERGY MANAGEMENT	15.732	30.800	30.800	24.000

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IBD B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REV. B/A
159006	TECHNICAL INFORMATION & MANAGEMENT PROGRAM				
159007	OPERATING EXPENSES	15,200	16,600	16,600	14,642
159008	PLANT AND CAPITAL EQUIPMENT	800	2,000	2,000	800
159009	TOTAL, TECHNICAL INFORMATION & MANAGEMENT PROGRAM	16,000	18,600	18,600	15,442
159011	PLANT ENGINEERING AND DESIGN-NONDEFENSE				
159012	OPERATING EXPENSES	-----	-----	-----	-----
159013	PLANT AND CAPITAL EQUIPMENT	1,000	2,950	2,950	-----
159014	TOTAL, PLANT ENGINEERING AND DESIGN-NONDEFENSE	1,000	2,950	2,950	-----
20105	POLICY AND MANAGEMENT - ER (ESRD)	1,288	1,350	1,350	530
30619	POLICY AND MANAGEMENT - EP (ESRD)	1,811	1,711	1,330	1,000
40095	POLICY AND MANAGEMENT - NE (ESRD)	1,868	2,400	2,400	1,523
70333	POLICY AND MANAGEMENT - CE (ESRD)	-----	-----	-----	-----
999451	ASSISTANT SECRETARIES STAFF				
70334	CONSERVATION - ESRD	-----	-----	-----	-----
70335	POLICY AND MANAGEMENT - CE (ESRD)				
70336	ASSISTANT SECRETARY - CE	445	115	162	1,527
70337	CE PROGRAM SUPPORT	525	1,164	1,564	-----
70338	POWER MARKETING COORDINATION	597	517	207	-----
70339	TOTAL, POLICY AND MANAGEMENT - CE (ESRD)	1,567	1,796	1,933	1,527
992089	TOTAL, ENERGY SUPPLY R & D	2,055,936	2,618,620	2,190,551	2,079,533
20135	TRANSFERRED TO OTHER ACCOUNTS - ER(ESRD - PACE)	-----	-----	-----	-----
70581	UNDISTRIBUTED - CS(ESRD - OE)	-----	-----	-----	-10,052
70582	UNDISTRIBUTED - CS(ESRD - PACE)	-----	-----	-----	-----
20137	TRANSFER FROM OE TO GS - OE	-----	-----	-----	-----
20138	TRANSFER FROM PACE TO GS - PACE	-----	-----	-----	-----
40235	RESERVE FOR ADVANCED NUCLEAR SYSTEM - OE	-----	-----	-----	-----
40236	RESERVE FOR ADVANCED NUCLEAR SYSTEMS - PACE	-----	-----	-----	-----
70580	RESERVE FOR REIMBURSABLES - OE	-----	-----	-----	-----
20159	TRANSFER FROM PACE TO GS - OE	-----	-----	-----	-----
70583	TRANSFER FROM GRUF TO ESRD - PACE	-----	-----	-----	-----
992088	GENERAL REDUCTIONS	-----	-----	-----	-----
992087	UNOBLIGATED BALANCE	-----	-----	-----	-----
40186	OUTLAY ADJUSTMENTS	-----	-----	-----	-----
159100	FY1983 DEFERAL CARRIED FORWARD - MA (ESRD - OE)	-65,000	-----	-----	-----
992093	TOTAL, ENERGY SUPPLY R & D	1,990,936	2,618,620	2,190,551	2,069,481

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 7

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRG B/A	FY 1985 CONG REQ. B/A	FY 1985 CONG. REQ. B/A
992094	SAVINGS FROM MANAGEMENT INITIATIVES - ESRD.....	-----	----	-----	-22.300
992090	TOTAL, ENERGY SUPPLY R & D.....	1,990,936	2,618,620	2,190,551	2,037,181
992091	(OPERATING EXPENSES).....	1,744,989	2,249,478	1,915,174	1,787,646
992092	(PLANT AND CAPITAL EQUIPMENT).....	245,947	369,142	275,377	249,535

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 8

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 TRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
993000	URANIUM ENRICHMENT				
40104	URANIUM ENRICHMENT ACTIVITIES				
40105	OPERATING EXPENSES	1,567,700	1,574,400	2,155,000	2,074,000
40106	PLANT AND CAPITAL EQUIPMENT	643,400	590,800	-----	-----
40107	GENERAL REDUCTION	-23,000	-----	-----	-----
40113	SUBTOTAL, URANIUM ENRICHMENT ACTIVITIES	2,188,100	2,165,200	2,155,000	2,074,000
40114	ADVANCED ISOTOPE SEPARATION TECHNOLOGY				
40115	OPERATING EXPENSES	-----	93,800	-----	-----
40116	PLANT AND CAPITAL EQUIPMENT	-----	14,000	-----	-----
40117	SUBTOTAL, ADVANCED ISOTOPE SEPARATION TECHNOLOGY	-----	107,800	-----	-----
40118	URANIUM PROGRAM DIRECTION	3,900	4,000	-----	-----
40119	TOTAL, URANIUM ENRICHMENT ACTIVITIES	2,192,000	2,277,000	2,155,000	2,074,000
40120	URANIUM RESOURCE ASSESSMENT				
40122	OPERATING EXPENSES	1,810	-----	-----	-----
40124	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
40126	TOTAL, URANIUM RESOURCE ASSESSMENT	1,810	-----	-----	-----
40130	COLLECTION OF PRIOR YEAR REVENUES	-----	-----	-----	-----
40135	SUBTOTAL, URANIUM ENRICHMENT	2,193,810	2,277,000	2,155,000	2,074,000
40138	REVENUES				
40139	OPERATING EXPENSES	-1,467,600	-1,672,200	-2,155,000	-2,074,000
40140	PLANT AND CAPITAL EQUIPMENT	-637,400	-604,800	-----	-----
40141	TOTAL, REVENUES	-2,105,000	-2,277,000	-2,155,000	-2,074,000
40143	LESS REVENUES NOT AVAILABLE	-----	-----	-----	-----
40144	GENERAL REDUCTION	-----	-----	-----	-----
40145	UNDISTRIBUTED - PACE	-----	-----	-----	-----
993093	TOTAL URANIUM ENRICHMENT	88,810	-----	-----	-----
40305	SAVINGS FROM MANAGEMENT INITIATIVES - URE	-----	-----	-----	-----
993094	TOTAL, URANIUM ENRICHMENT	88,810	-----	-----	-----
993091	(OPERATING EXPENSES)	82,810	-----	-----	-----
993092	(PLANT AND CAPITAL EQUIPMENT)	6,000	-----	-----	-----

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DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 9

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
991500	GENERAL SCIENCE				
20113	LIFE SCIENCES RESEARCH AND NUCLEAR MEDICINE APP .				
20114	OPERATING EXPENSES	-----	-----	-----	-----
20115	PLANT AND CAPITAL EQUIPMENT	-----	-----	-----	-----
20116	TOTAL. LIFE SCIENCES RESEARCH AND NUCLEAR MEDICINE AP	-----	-----	-----	-----
20117	HIGH ENERGY PHYSICS				
20118	OPERATING EXPENSES	342.500	414.500	384.800	381.600
20119	PLANT AND CAPITAL EQUIPMENT	137.500	171.500	173.700	179.400
20120	TOTAL. HIGH ENERGY PHYSICS	480.000	586.000	558.500	561.000
20121	NUCLEAR PHYSICS				
20122	OPERATING EXPENSES	134.000	151.500	150.000	144.600
20123	PLANT AND CAPITAL EQUIPMENT	25.000	49.500	46.000	39.000
20124	TOTAL. NUCLEAR PHYSICS	159.000	201.000	196.000	183.600
20125	HIGH ENERGY AND NUCLEAR PHYSICS PROG. DIRECTION (GS).	2.250	3.500	2.600	2.205
991593	TOTAL. GENERAL SCIENCE	641.250	790.500	757.100	746.805
20130	UNOBLIGATED BALANCE TRANSFERRED FROM ESRD - ER(GS).	-----	-----	-----	-----
20140	COST OUTLAY ADJUSTMENT - ER (GS)	-----	-----	-----	-----
20141	TRANSFER FROM ENERGY SUPPLY PACE TO OE	-----	-----	-----	-----
20156	TRANSFER TO OE FROM ES - OE	-----	-----	-----	-----
20157	TRANSFER TO PACE FROM ES - PACE	-----	-----	-----	-----
20158	USE OF PREFINANCING	-----	-----	-----	-----
991590	TOTAL. GENERAL SCIENCE	641.250	790.500	757.100	746.805
20207	SAVINGS FROM FY84 INITIATIVES - GS	-----	-----	-----	-706
20208	SAVINGS FROM MANAGEMENT INITIATIVES - GS	-----	-----	-----	-----
991594	TOTAL. GENERAL SCIENCE	641.250	790.500	757.100	746.105
991591	(OPERATING EXPENSES)	478.750	569.500	537.400	527.705
991592	(PLANT AND CAPITAL EQUIPMENT)	162.500	221.000	219.700	218.400

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 (CONG. REV. B/A
991000	ATOMIC ENERGY				
10019	RESEARCH AND DEVELOPMENT AND TESTING				
10020	OPERATING EXPENSES	1,213,100	1,529,100	1,398,800	1,363,625
10021	PLANT AND CAPITAL EQUIPMENT	196,200	432,700	356,100	359,550
10022	TOTAL, RESEARCH AND DEVELOPMENT AND TESTING	1,409,300	1,961,800	1,754,900	1,723,175
10024	INERTIAL CONFINEMENT FUSION				
10025	OPERATING EXPENSES	145,000	158,450	141,500	125,000
10026	PLANT AND CAPITAL EQUIPMENT	24,700	16,050	16,100	13,000
10027	TOTAL, INERTIAL CONFINEMENT FUSION	169,700	174,500	157,600	138,000
10029	PRODUCTION AND SURVEILLANCE				
10030	OPERATING EXPENSES	1,686,125	2,050,700	1,961,300	1,947,900
10031	PLANT AND CAPITAL EQUIPMENT	450,600	765,800	670,900	673,800
10032	TOTAL, PRODUCTION AND SURVEILLANCE	2,136,725	2,816,500	2,632,200	2,621,700
10040	PROGRAM DIRECTION - DEFENSE PROGRAMS	57,495	61,010	59,700	60,229
10049	VERIFICATION AND CONTROL TECHNOLOGY				
10050	OPERATING EXPENSES	66,100	82,900	75,700	73,700
10051	PLANT AND CAPITAL EQUIPMENT	1,750	6,600	3,500	3,000
10052	TOTAL, VERIFICATION AND CONTROL TECHNOLOGY	67,850	89,500	79,200	76,700
10059	MATERIALS PRODUCTION				
10060	OPERATING EXPENSES	1,247,800	1,658,190	1,569,240	1,493,590
10061	PLANT AND CAPITAL EQUIPMENT	373,900	559,410	424,410	370,610
10062	TOTAL, MATERIALS PRODUCTION	1,621,700	2,217,600	1,993,650	1,864,200
10064	DEFENSE WASTE & BY-PRODUCTS MANAGEMENT				
10065	OPERATING EXPENSES	325,900	424,858	381,000	358,700
10066	PLANT AND CAPITAL EQUIPMENT	355,200	457,792	427,100	394,071
10067	TOTAL, DEFENSE WASTE & BY-PRODUCTS MANAGEMENT	681,100	882,650	808,100	752,771
10069	NUCLEAR SAFEGUARDS & SECURITY				
10070	OPERATING EXPENSES	48,000	59,300	58,000	58,000
10071	PLANT AND CAPITAL EQUIPMENT	4,000	8,100	4,700	4,700
10072	TOTAL, NUCLEAR SAFEGUARDS & SECURITY	52,000	67,400	62,700	62,700

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 11

B/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 CONG. REV. B/A	FY 1985 CONG. REV. B/A
10079	SECURITY INVESTIGATIONS				
10080	OPERATING EXPENSES	29,560	34,000	34,000	34,000
40154	NAVAL REACTORS DEVELOPMENT				
40155	OPERATING EXPENSES	370,000	417,500	417,500	426,400
40156	PLANT AND CAPITAL EQUIPMENT	123,000	81,500	80,500	70,500
40157	TOTAL, NAVAL REACTORS DEVELOPMENT	493,000	499,000	498,000	496,900
991093	TOTAL, ATOMIC ENERGY	6,718,370	8,503,960	8,100,050	7,830,375
10092	PROPOSED PROG. SUPPLEMENTAL - DP (AEDA - OE)	-90,300	-----	-----	-----
10093	PROPOSED PROG. SUPPLEMENTAL - DP (AEDA - PACE)	-63,300	-----	-----	-----
991090	TOTAL, ATOMIC ENERGY	6,560,770	8,503,960	8,100,050	7,830,375
991094	SAVINGS FROM MANAGEMENT INITIATIVES - AEDA	-----	-----	-----	-23,500
10202	SAVINGS FROM FY84 INITIATIVES - DP	-----	-----	-----	-1,050
991095	TOTAL, ATOMIC ENERGY	6,560,770	8,503,960	8,100,050	7,805,825
991091	(OPERATING EXPENSES)	5,094,720	6,476,008	6,116,700	5,916,594
991092	(PLANT AND CAPITAL EQUIPMENT)	1,466,050	2,027,952	1,983,350	1,889,231

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 12

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 INB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
999000	DEPARTMENTAL ADMINISTRATION				
164005	OFFICE OF THE SECRETARY	1,302	1,312	1,706	1,056
162005	BOARD OF CONTRACT APPEALS	341	341	385	370
160006	GENERAL COUNSEL	14,076	15,958	15,008	12,012
170010	INSPECTOR GENERAL - OE	14,670	30,549	27,038	21,413
170012	INSPECTOR GENERAL - CE	-----	-----	300	295
170100	TOTAL, INSPECTOR GENERAL	14,670	30,549	27,338	21,708
151999	MANAGEMENT AND ADMINISTRATION				
152000	OPERATING EXPENSES	127,613	136,701	138,056	130,885
152005	PLANT AND CAPITAL EQUIPMENT	3,900	6,809	6,809	3,309
152009	TOTAL MANAGEMENT AND ADMINISTRATION	131,513	143,510	144,865	134,194
150999	ASSISTANT SECRETARIES STAFF				
151000	DEFENSE PROGRAMS	-----	-----	-----	-----
151001	ENERGY RESEARCH	-----	-----	-----	-----
151002	ENVIR	-----	-----	-----	-----
151003	NUCLEAR ENERGY	-----	-----	-----	-----
70525	PMA COORDINATION (DEPT ADMIN.)	-----	-----	-----	-----
151007	CONSERVATION - ESRD.....(82 ONLY)	-----	-----	-----	-----
151025	TOTAL, ASSISTANT SECRETARIES STAFF	-----	-----	-----	-----
153024	OPERATIONS OFFICE				
153025	OPERATING EXPENSES	92,819	108,872	96,680	88,805
153026	PLANT AND CAPITAL EQUIPMENT	1,081	1,673	1,273	1,273
153027	TOTAL, OPERATIONS OFFICES	93,899	110,545	97,953	90,078
200010	MINORITY ECONOMIC IMPACT	1,674	2,900	2,410	2,408
120010	POLICY ANALYSIS AND SYSTEM STUDIES	6,315	6,499	6,121	6,039
191035	A/S FOR CONG., INTERGOV. & PUBLIC AFF	6,431	7,430	4,944	3,383
190010	INDIAN AFFAIRS	-----	500	500	500
190030	CONSUMER AFFAIRS	-----	100	-----	100
190020	PUBLIC AFFAIRS	150	100	100	100
190021	COMPETITION	-----	100	-----	100
999092	SUBTOTAL, A/S FOR CONG., INTERGOV. & PUBLIC AFF	6,581	8,230	5,544	4,183

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 13

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IAB B/A	FY 1985 CMB REQ. B/A	FY 1985 CONG. REQ. B/A
140100	INTERNATIONAL AFFAIRS	3,326	3,950	6,486	4,328
154016	COST OF WORK FOR OTHERS	116,191	113,704	113,704	115,704
153029	CONTRACTOR COLLECTED REVENUES	-----	-----	-----	-----
150001	IN-HOUSE ENERGY MANAGEMENT				
150002	OPERATING EXPENSES.....(BC ONLY)	-----	-----	-----	-----
150003	PLANT AND CAPITAL EQUIPMENT.....(BC ONLY)	-----	-----	-----	-----
150004	TOTAL, IN-HOUSE ENERGY MANAGEMENT	-----	-----	-----	-----
150006	TECHNICAL INFORMATION CENTER				
150007	OPERATING EXPENSES.....(BC ONLY)	-----	-----	-----	-----
150008	PLANT AND CAPITAL EQUIPMENT.....(BC ONLY)	-----	-----	-----	-----
150009	TOTAL, TECHNICAL INFORMATION CENTER	-----	-----	-----	-----
150014	PLANT ENGINEERING AND DESIGN-NONDEFENSE				
150015	OPERATING EXPENSES.....(BC ONLY)	-----	-----	-----	-----
150016	PLANT AND CAPITAL EQUIPMENT.....(BC ONLY)	-----	-----	-----	-----
150017	TOTAL, PLANT ENGINEERING AND DESIGN-NONDEFENSE	-----	-----	-----	-----
154030	CONTINUING RESOLUTION UNAPPLIED (PACE)	-----	-----	-----	-----
159105	GENERAL REDUCTION	-----	-----	-----	-----
159120	FY1983 DEFERRED BAL CARRIED FORWARD	-5,000	-----	-----	-29,053
999089	SUBTOTAL,DEPARTMENTAL ADMINISTRATION (GROSS)	564,888	428,896	429,520	464,869
999093	(OPERATING EXPENSES - GROSS)	559,907	420,416	415,038	459,532
999094	(PLANT AND CAPITAL EQUIPMENT - GROSS)	4,981	8,482	8,882	8,877
154017	MISCELLANEOUS REVENUES	-135,259	-126,151	-126,151	-126,151
159018	REVENUES NOT ASSOCIATED WITH COST OF WORK	-74,380	-83,208	-83,208	-93,308
999097	TOTAL, DEPARTMENTAL ADMINISTRATION	155,269	227,539	214,161	144,950
159506	SAVINGS FROM MANAGEMENT INITIATIVES - (MBA) DA	-----	-----	-----	-8,600
159508	SAVINGS FROM FY84 INITIATIVES	-----	-----	-----	-375
999099	TOTAL, DEPARTMENTAL ADMINISTRATION (NET)	155,269	227,539	214,161	136,575
999095	(OPERATING EXPENSES - NET)	150,288	219,057	205,279	127,698
999096	(PLANT AND CAPITAL EQUIPMENT - NET)	4,981	8,482	8,882	8,877

RANGOLFD — DEPARTMENT OF ENERGY — BY APPROPRIATION

14:14 1/31/84 — FY 1985 CONTROL TABLE (DOLLARS IN THOUSANDS) — PAGE 14

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION b/A	FY 1985 IRB b/A	FY 1985 OMB REV. b/A	FY 1985 CONG. REV. b/A
997000	ALASKA POWER O&M				
70450	POWER MARKETING - ALASKA POWER ADMINISTRATION.....	3,410	4,094	4,019	3,239
70705	SAVINGS FROM MANAGEMENT INITIATIVES - (DOE) ALASKA..	---	---	---	---
997090	TOTAL, ALASKA-POWER	3,410	4,094	4,019	3,239

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 15

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IAB B/A	FY 1985 CMB REQ. B/A	FY 1985 CONG. REQ. B/A
997290	BONNEVILLE				
01006	POWER MARKETING - BONNEVILLE POWER ADMINISTRATION....	123,400	384,000	348,500	298,730
01012	(PERMANENT INDEFINITE BORROWING AUTHORITY -NONADD)...	265,265	-----	-----	-----
01025	TOTAL, BONNEVILLE POWER ADMIN.....	123,400	384,000	348,500	298,730
01027	SAVINGS FROM MANAGEMENT INITIATIVES FY84 - BPA.....	-----	-----	-----	-----
997290	TOTAL, BONNEVILLE POWER ADMIN.....	123,400	384,000	348,500	298,730

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 17

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 CONG. REV. B/A	FY 1985 CONG. REC. B/A
997000	SOUTHWESTERN O&M				
70400	POWER MARKETING - SOUTHWESTERN POWER ADMINISTRATION..	36,229	51,292	36,500	36,268
70634	USE OF PRIOR YEAR BALANCES (S (SUPPA).....	-----	-----	-----	-7,000
70707	SAVINGS FROM MANAGEMENT INITIATIVES - (CAE) SUPPA...	-----	-----	-----	60
997090	TOTAL, SOUTHWESTERN O&M.....	36,229	51,292	36,500	29,208
998000	SOUTHWESTERN CONT. FUND				
70500	SOUTHWESTERN POWER - CONT. FUND.....	-----	-----	-----	-----
998090	TOTAL, SOUTHWESTERN CONT. FUND.....	-----	-----	-----	-----

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRD B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
997400	SOUTHEASTERN O&M				
70470	POWER MARKETING - SOUTHEASTERN POWER ADMINISTRATION	20,594	35,849	35,744	35,744
70706	SAVINGS FROM MANAGEMENT INITIATIVES - (CRE) SEPMA	-----	-----	-----	-----
997490	TOTAL, SOUTHEASTERN O&M	20,594	35,849	35,744	35,744
997500	SOUTHEASTERN CONT. FUND				
70405	SOUTHEASTERN POWER - CONT. FUND	-----	-----	-----	-----
997590	TOTAL, SOUTHEASTERN CONT. FUND	-----	-----	-----	-----

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 UMB REV. B/A	FY 1985 COMB. REV. B/A
996200	WESTERN AREA O&M				
80005	POWER MARKETING - WAPA O&M	194,630	323,900	322,520	348,230
80025	SAVINGS FROM MANAGEMENT INITIATIVES - WAPA	-----	-----	-----	-100
996290	TOTAL, WESTERN AREA O&M	194,630	323,900	322,520	348,130
996400	WESTERN AREA POWER - EMERGENCY FUND				
80015	WAPA EMERGENCY FUND	500	500	500	-----
996490	TOTAL, WAPA EMERGENCY FUND	500	500	500	-----
996600	COLORADO RIVER BASIN				
80010	COLORADO RIVER BASIN	-----	-----	-----	-----
996690	TOTAL, COLORADO RIVER BASIN	-----	-----	-----	-----

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14:14 1/31/94

DEPARTMENT OF ENERGY
FY 1995 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

FERC

A/S CODE	ACCOUNT TITLE	FY 1994 APPROPRIATION B/A	FY 1995 INB B/A	FY 1995 CONG. REV. B/A	FY 1995 CONG. REV. B/A
995600	FERC SALARIES AND EXPENSES				
90010	OIL PIPELINE REGULATION	5,[illegible]	[illegible],600	6,465	5,[illegible]
90020	NATURAL GAS REGULATION	44,[illegible]	-----	52,192	46,[illegible]
90030	HYDRO POWER LICENSING	[illegible],551	-----	41,[illegible]7	[illegible],1[illegible]
90040	ELECTRIC POWER REGULATION	17,991	-----	[illegible]0,44	[illegible]0,[illegible]
90043	TOTAL, FERC	91,313	-4,600	1[illegible],548	100,677
90047	REVENUES	-45,100	-60,000	-51,000	-60,000
90080	TOTAL, F E R C	4[illegible],213	34,600	74,348	40,677
90075	SAVINGS FROM MANAGEMENT INITIATIVES - FERC	-----	-----	-----	-----
90076	LESS PROPOSED PAY RAISE SUPPLEMENTAL	-1,731	-----	-----	-----
995690	TOTAL, FERC SALARIES AND EXPENSES	44,482	34,600	74,348	40,677

B/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IOB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
82060	NUCLEAR WASTE FUND				
82070	NUCLEAR WASTE FUND - DE	306.175	445.700	335.800	320.569
82080	NUCLEAR WASTE FUND - PAYE	13.500	11.800	7.100	7.100
82090	NUCLEAR WASTE FUND - PERSONNEL COMPS	946	-----	-----	-----
110005	NUCLEAR WASTE FUND	-----	-----	-----	-----
3d020	NUCLEAR WASTE FUND	-----	-----	-----	-----
159010	NUCLEAR WASTE FUND	-----	-----	-----	-----
160007	NUCLEAR WASTE FUND	-----	-----	-----	-----
190036	NUCLEAR WASTE FUND	-----	-----	-----	-----
82095	TOTAL, NUCLEAR WASTE FUND	319.621	457.500	342.900	327.669
82097	SAVINGS FROM MANAGEMENT INITIATIVES - NWF	-----	-----	-----	-----
82100	TOTAL, NUCLEAR WASTE FUND	319.621	457.500	342.900	327.669

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REV. B/A
996000	GEOTHERMAL RESOURCES				
70340	GEOTHERMAL RESOURCES DEVELOPMENT FUND	2,100	2,100	2,121	121
996090	TOTAL, GEOTHERMAL RESOURCES	2,100	2,100	2,121	121

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 22

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
994290	ALTERNATIVE FUELS PRODUCTION				
50450	ALTERNATIVE FUELS PRODUCTION - FE (AFP).....	----	----	----	----
994291	TOTAL, ALTERNATIVE FUELS PRODUCTION.....	----	----	----	----

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 +MB REQ. B/A	FY 1985 CONG. REQ. B/A
99Z500	FOSSIL ENERGY				
50010	COAL				
50015	CONTROL TECHNOLOGY & COAL PREPARATION				
50020	OP. EXP. & CAP. EQUIP.	26,000	32,900	32,900	32,150
50025	CONSTRUCTION	-----	-----	-----	-----
50030	TOTAL, CONTROL TECHNOLOGY & COAL PREPARATION	26,000	32,900	32,900	32,150
50035	ADV. RESEARCH & TECHNOLOGY DEV				
50040	OP. EXP. & CAP. EQUIP.	39,250	42,100	42,550	40,267
50045	CONSTRUCTION	-----	-----	-----	-----
50050	TOTAL, ADV. RESEARCH & TECHNOLOGY DEV.	39,250	42,100	42,550	40,267
50075	COAL LIQUEFACTION				
50080	OP. EXP. & CAP. EQUIP.	28,900	15,800	15,800	13,900
50085	CONSTRUCTION	-----	-----	-----	-----
50090	TOTAL, COAL LIQUEFACTION	28,900	15,800	15,800	13,900
50095	COMBUSTION SYSTEMS				
50100	OP. EXP. & CAP. EQUIP.	16,250	14,175	14,175	16,675
50105	CONSTRUCTION	-----	-----	-----	-----
50110	ADVANCE APPROP. - AFB	-----	-----	-----	15,000
50115	TOTAL, COMBUSTION SYSTEMS	16,250	14,175	14,175	31,675
50120	FUEL CELLS				
50125	OP. EXP. & CAP. EQUIP.	42,600	14,100	14,100	13,700
50130	CONSTRUCTION	-----	-----	-----	-----
50135	TOTAL, FUEL CELLS	42,600	14,100	14,100	13,700
50140	HEAT ENGINES AND HEAT RECOVERY				
50145	OP. EXP. & CAP. EQUIP.	8,500	7,650	7,650	7,650
50150	CONSTRUCTION	-----	-----	-----	-----
50155	TOTAL, HEAT ENGINES AND HEAT RECOVERY	8,500	7,650	7,650	7,650
50160	UNDERGROUND COAL GASIFICATION				
50165	OP. EXP. & CAP. EQUIP.	6,000	5,850	5,850	5,850
50170	CONSTRUCTION	-----	-----	-----	-----
50175	TOTAL, UNDERGROUND COAL GASIFICATION	6,000	5,850	5,850	5,850

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 29

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IAD B/A	FY 1985 CMD REQ. B/A	FY 1985 CONG. REQ. B/A
50180	MAGNETOHYDRODYNAMICS				
50185	OP. EXP. & CAP. EQUIP.	30.000	10.800	17.800	17.800
50190	CONSTRUCTION	-----	-----	-----	-----
50195	TOTAL, MAGNETOHYDRODYNAMICS	30.000	10.800	17.800	17.800
50200	SURFACE COAL GASIFICATION				
50205	OP. EXP. & CAP. EQUIP.	36.790	15.000	15.000	15.000
50210	CONSTRUCTION	-----	-----	-----	-----
50215	TOTAL, SURFACE COAL GASIFICATION	36.790	15.000	15.000	15.000
50230	SUBTOTAL, COAL	294.240	158.375	162.308	177.992
50235	GAS				
50240	UNCONVENTIONAL GAS RECOVERY				
50245	OP. EXP. & CAP. EQUIP.	15.500	11.300	9.050	8.550
50250	CONSTRUCTION	-----	-----	-----	-----
50255	TOTAL, UNCONVENTIONAL GAS RECOVERY	15.500	11.300	9.050	8.550
50270	SUBTOTAL - GAS	15.500	11.300	9.050	8.550
50275	PETROLEUM R&D				
50280	ADVANCED PROCESS TECHNOLOGY				
50285	OP. EXP. & CAP. EQUIP.	5.000	7.200	6.200	6.200
50290	CONSTRUCTION	-----	-----	-----	-----
50295	TOTAL, ADVANCED PROCESS TECHNOLOGY	5.000	7.200	6.200	6.200
50320	ENHANCED OIL RECOVERY				
50325	OP. EXP. & CAP. EQUIP.	9.150	13.400	13.400	13.400
50330	CONSTRUCTION	-----	-----	-----	-----
50335	TOTAL, ENHANCED OIL RECOVERY	9.150	13.400	13.400	13.400
50340	OIL SHALE				
50345	OP. EXP. & CAP. EQUIP.	16.150	12.000	12.000	12.000
50350	CONSTRUCTION	-----	-----	-----	-----
50355	TOTAL, OIL SHALE	16.150	12.000	12.000	12.000
50370	SUBTOTAL PETROLEUM	30.300	32.600	31.600	31.600

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 25

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IBR B/A	FY 1985 CMB REQ. B/A	FY 1985 CONG. REQ. B/A
50400	POLICY AND MANAGEMENT				
50405	HEADQUARTERS PROGRAM DIRECTION	9,000	9,850	6,685	7,913
50410	ETC PROGRAM DIRECTION	38,690	37,315	37,315	37,315
50415	CAPITAL EQUIPMENT	1,500	5,000	4,500	4,500
50420	CONSTRUCTION	5,000	5,000	5,000	5,000
50425	SUBTOTAL, POLICY AND MANAGEMENT	49,540	56,965	53,500	54,728
50465	USE OF UNOBLIGATED BALANCES - FE (FE)	-36,000	-----	-----	-46,689
50470	TRANSFER FROM ALT. FUELS - FE (FE)	-13,000	-----	-----	-5,000
50475	TRANSFER FROM NAVAL PETROLEUM RESERVE	-----	-----	-----	-2,500
50485	TRANSFER FOR ENERGY SEC. RES.	-3,000	-----	-----	-3,000
50490	PROGRAM OFFSET	-17,326	-----	-----	-----
50495	TOTAL, FOSSIL ENERGY	260,214	259,280	256,455	214,881
50500	SAVINGS FROM MANAGEMENT INITIATIVES - (FE) FE	-----	-----	-----	-12,000
50505	SAVINGS FROM FY84 INITIATIVES	-----	-----	-----	-150
50510	TOTAL, FOSSIL ENERGY	260,214	259,280	256,455	202,731
992593	TOTAL FOSSIL ENERGY	260,214	259,280	256,455	202,731
992590	TOTAL, FOSSIL ENERGY	260,214	259,280	256,455	202,731
992591	(OP. ETF. & CAP. EQUIP.)	255,174	254,280	251,455	197,731
992592	(CONSTRUCTION)	5,040	5,000	5,000	5,000

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION
PAGE 26

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
99:500	NAVAL PETROLEUM AND OIL SHALE RESERVES				
30025	NAVAL PETROLEUM AND OIL SHALE RESERVES	256,600	338,488	256,855	262,854
70300	SOLAR (NP&OSR)(81&82 STRUCTURE)	-----	-----	-----	-----
50455	FOSSIL (NP&OSR)	-----	-----	-----	-----
993591	TOTAL, NAVAL PETROLEUM AND OIL SHALE RESERVES	256,600	338,488	256,855	262,854
30080	USE OF PRIOR YEAR BALANCES	-----	-----	-----	-39,000
30509	SAVINGS FROM FY 1984 MGT. INITIATIVES - EJS&EP) NP&.	-----	-----	-----	-50
993590	TOTAL, NAVAL PETROLEUM AND OIL SHALE RESERVES	256,600	338,488	256,855	223,804

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 27

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IAB B/A	FY 1985 UNB REQ. B/A	FY 1985 CONG. REQ. B/A
9:4000	CONSERVATION				
70345	BUILDINGS AND COMMUNITY SYSTEMS	37.408	38.454	38.993	55.314
70350	INDUSTRIAL	32.712	22.176	30.050	33.294
70360	TRANSPORTATION	65.038	45.400	45.471	51.052
70375	MULTI-SECTOR	1.777	1.100	6.065	10.548
70380	ENERGY CONSERVATION RESEARCH	-----	-----	-----	-----
70381	SUBTOTAL, CONSERVATION RESEARCH AND DEVELOPMENT	146.935	99.130	118.599	146.208
70382	STATE AND LOCAL	280.166	69.900	10.889	52.169
70410	ENERGY IMPACT ASSISTANCE	-----	-----	-----	-----
70421	POLICY AND MANAGEMENT -CE (EC)				
70422	ASSISTANT SECRETARY - CE	160	290	155	213
70423	CE PROGRAM SUPPORT	1.120	1.632	1.167	1.570
70424	TOTAL, POLICY AND MANAGEMENT - CE (EC)	1.280	1.862	1.322	1.783
704.5	POLICY ANALYSIS	750	-----	-----	-----
70429	SUBTOTAL ENERGY CONSERVATION	431.131	161.792	124.790	460.154
7x00	GENERAL REDUCTION - CRE (EC - OE)	-----	-----	-----	-----
70633	APPROPRIATED TO NNS CS (EC - OE)	-----	-----	-----	-38.000
70632	FY1981 DEFERRAL - CS(EC)	-----	-----	-----	-----
70636	ADDBACK OF PROPOSED RESCISSION				
70637	STATE AND LOCAL	-----	-----	-----	-----
70638	IMPACT ASST	-----	-----	-----	-----
70639	USE OF PRIOR YEAR BALANCES	-----	-----	-----	-30.077
994091	TOTAL ENERGY CONSERVATION	431.131	161.792	124.790	152.077
70750	SAVINGS FROM MANAGEMENT INITIATIVES - (CRE) EC GRANT	-----	-----	-----	-----
70751	SAVINGS FROM MANAGEMENT INITIATIVES - (CRE) EC R&D	-----	-----	-----	8.000
994090	TOTAL, ENERGY CONSERVATION	431.131	161.792	124.790	144.077

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IAB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
995200	ENER. PREP. & ENERGY REGULATION				
30055	EMERGENCY PREPAREDNESS	5,318	7,730	7,500	6,220
100010	FUELS CONVERSION	1,679	1,750	1,310	1,335
100020	FUELS CONVERSION (REAPPROPRIATION)	-----	-----	-----	-----
100040	UTILITY PROGRAMS	-----	-----	-----	-----
100045	UTILITY PROGRAMS (REAPPROPRIATION)	-----	-----	-----	-----
100060	COMPLIANCE	18,107	9,700	8,200	11,116
100065	COMPLIANCE (REAPPROPRIATION)	-----	-----	-----	-----
100082	PETROLEUM OPERATIONS	2,141	1,330	1,405	1,433
100120	PROGRAM ADMINISTRATION	1,311	600	1,495	1,404
100125	PROGRAM ADMINISTRATION (REAPPROPRIATION)	-----	-----	-----	-----
30050	GASOLINE RATIONING	-----	-----	-----	-----
100160	OFFICE OF HEARINGS AND APPEALS	5,349	5,000	5,500	5,569
995292	TOTAL, ENER. PREP. & ENERGY REGULATION	33,905	25,110	25,410	27,157
100181	LESS PROPOSED SUPPLEMENTAL (EP&ER)	-3,000	-----	-----	-----
100182	LESS PROPOSED PAY RAISE SUPPLEMENTAL	-388	-----	-----	-----
30070	LESS PROPOSED PAY RAISE SUPP (EP)	-88	-----	-----	-----
100183	LESS PROPOSED PAY RAISE SUPP (OHA)	-99	-----	-----	-----
100185	TOTAL, ECONOMIC REGULATORY ADMINISTRATION	30,330	25,110	25,410	27,157
100187	SAVINGS FROM MANAGEMENT INITIATIVES - ERA (EP&ER)	-----	-----	-----	-----
100188	SAVINGS FROM MANAGEMENT INITIATIVES - OHA (EP&ER)			-----	-----
995290	TOTAL, ENER. PREP. & ENERGY REGULATION	30,330	25,110	25,410	27,157

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14:10 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 29

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 CBJ REQ. B/A	FY 1985 CONG. REQ. B/A
994400	STRATEGIC PETROLEUM RESERVE				
30058	ON-BUDGET SPR	158.770	475.901	468.439	459.190
30059	SAVINGS FROM MANAGEMENT INITIATIVES (EP;ALP) SPR	----	----	----	-12.000
30060	SUBTOTAL, ON-BUDGET SPR	158.770	475.901	468.439	447.190
30062	OFF-BUDGET SPR	650.000	2.376.751	1.373.700	1.889.550
30063	TOTAL, STRATEGIC PETROLEUM RESERVE	808.770	2.852.652	1.842.139	2.336.740

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 30

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 TRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
994800	ENERGY INFORMATION ACTIVITIES				
110020	COLLECTION PRODUCTION AND ANALYSIS	36.642	59.945	38.775	37.852
110040	PROGRAM SERVICES	11.839	14.248	11.094	11.013
110045	POLICY AND MANAGEMENT	7.100	9.633	8.131	8.998
110047	TRAVEL REDUCTION	-----	-----	-----	-----
110070	TOTAL, ENERGY INFORMATION ADMINISTRATION	57.581	83.826	58.000	57.863
110048	LESS PROPOSED PAY RAISE SUPPLEMENTAL	-521	-----	-----	-----
110060	SAVINGS FROM MANAGEMENT INITIATIVES - EIA	-----	-----	-----	-----
994890	TOTAL, ENERGY INFORMATION ACTIVITIES	57.060	83.826	58.000	57.863

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DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

14:14 1/31/84

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IKb B/A	FY 1985 CPW REQ. B/A	FY 1985 CONG. REQ. B/A
986050	DEFENSE/SPR/ENERGY SUMMARY				
986060	DEFENSE:				
986070	ATOMIC ENERGY	6,560,770	8,803,960	8,100,050	7,605,825
986080	SPR:				
986090	STRATEGIC PETROLEUM RESERVE	808,770	2,852,652	1,842,139	2,336,740
986100	ENERGY:				
986110	ENERGY SUPPLY R&D	1,990,938	1,618,620	2,190,551	2,077,151
986120	URANIUM ENRICHMENT	98,810	-----	-----	-----
986130	GENERAL SCIENCE	641,250	790,500	757,100	748,105
986150	DEPARTMENTAL ADMINISTRATION	155,189	227,519	214,161	180,575
986260	TOTAL, POWER MARKETING ADMINISTRATIONS	578,753	779,635	747,791	615,145
986270	FERC SALARIES AND EXPENSES	44,462	74,000	74,344	40,677
986280	NUCLEAR WASTE FUND	319,821	457,500	342,900	327,669
986285	INTERIM STORAGE FUND	-----	-----	-----	-----
986290	GEOTHERMAL RESOURCES	2,100	2,100	2,121	121
502200	SPECIAL FOREIGN CURRENCY	-----	-----	-----	-----
986310	ALTERNATIVE FUELS PRODUCTION	-----	-----	-----	-----
986320	FOSSIL ENERGY	260,214	259,240	252,455	202,731
986330	NAVAL PETROLEUM AND OIL SHALE RESERVES	256,600	338,488	256,655	223,804
986340	ENERGY CONSERVATION	421,151	161,792	124,790	144,077
986350	EMER. PREP. & ENERGY REGULATION	30,240	25,110	25,410	17,157
986370	ENERGY INFORMATION ACTIVITIES	57,080	33,926	58,000	57,863
502100	PAYMENTS TO STATES	570	570	570	570
986385	TOTAL, ENERGY	4,857,130	5,771,520	5,051,052	4,561,075
986395	SUBTOTAL DOE	12,226,670	17,428,132	14,993,241	14,704,240
986400	LESS OFF-BUDGET SPRO	-520,000	-1,376,794	-1,371,700	-1,889,550
986410	TOTAL DOE	11,706,670	16,051,338	13,619,541	12,814,690

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

PAGE 32

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
999100	SUMMARY BY APPROPRIATION				
999115	ENERGY SUPPLY R&D	1,990,936	2,618,620	2,190,551	2,037,181
999125	URANIUM ENRICHMENT	88,810	-----	-----	-----
999110	GENERAL SCIENCE	641,250	790,500	757,100	746,105
999105	ATOMIC ENERGY	6,560,770	8,803,960	8,100,050	7,905,825
999215	DEPARTMENTAL ADMINISTRATION	155,269	227,539	214,161	138,575
999160	POWER MARKETING ADMINISTRATIONS:				
999165	ALASKA POWER ADMINISTRATION	3,410	4,094	4,019	3,233
999170	BONNEVILLE POWER ADMINISTRATION	123,400	364,000	348,500	298,730
999175	SOUTHEASTERN POWER O&M	30,594	35,849	35,744	35,744
999180	SOUTHEASTERN CONT. FUND	-----	-----	-----	-----
999185	SOUTHWESTERN POWER O&M	36,229	51,292	36,500	29,208
999190	SOUTHWESTERN POWER CONT. FUND	-----	-----	-----	-----
999195	WESTERN AREA POWER O&M	194,630	323,900	322,528	248,230
999200	WAPA EMERGENCY FUND	500	500	500	-----
999205	COLORADO RIVER BASIN	-----	-----	-----	-----
999206	TOTAL, POWER MARKETING ADMINISTRATIONS	378,763	779,635	747,791	615,145
999135	FERC SALARIES AND EXPENSES	44,482	34,600	74,348	40,677
999136	NUCLEAR WASTE FUND	319,621	457,500	342,900	327,669
999160	GEOTHERMAL RESOURCES	2,100	2,100	2,121	121
999161	SPECIAL FOREIGN CURRENCY	-----	-----	-----	-----
999137	ALTERNATIVE FUELS PRODUCTION	-----	-----	-----	-----
999120	FOSSIL ENERGY	260,214	259,240	256,455	202,731
999130	NAVAL PETROLEUM AND OIL SHALE RESERVES	256,600	338,488	256,855	223,604
999135	ENERGY CONSERVATION	431,151	161,792	124,790	144,077
999150	EMER. PREP. & ENERGY REGULATION	30,130	25,110	25,410	27,157
999140	STRATEGIC PETROLEUM RESERVE	808,770	2,052,652	1,842,139	2,336,740
999145	ENERGY INFORMATION ACTIVITIES	57,060	83,826	58,000	57,863
999147	PAYMENTS TO STATES	570	570	570	570
999850	SUBTOTAL DOE	12,026,676	17,436,142	14,993,241	14,704,240
999851	LESS OFF-BUDGET SPRO	650,000	2,376,751	1,373,700	1,889,550
999852	TOTAL DOE	11,376,676	15,059,391	13,619,541	12,814,690

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14:14 1/31/84

DEPARTMENT OF ENERGY
FY 1985 CONTROL TABLE
(DOLLARS IN THOUSANDS)

BY APPROPRIATION

A/S CODE	ACCOUNT TITLE	FY 1984 APPROPRIATION B/A	FY 1985 IRB B/A	FY 1985 OMB REQ. B/A	FY 1985 CONG. REQ. B/A
600000	RECEIPTS				
600005	URANIUM ENRICHMENT	-----	-----	-----	-----
600010	NAVAL PETROLEUM RESERVE	-1,288.717	-1,204.000	-1,204.000	-1,200.928
600015	POWER MARKETING ADMINISTRATION	519.260	-616.056	-624.981	-587.005
600016	WASTE DISPOSAL FUND	-310.660	-397.000	-402.285	-377.800
600020	FERC	-----	-----	-----	-----
600022	DEPARTMENTAL ADMINISTRATION REVENUES	-----	-----	-----	-----
600025	OTHER	-3.001	-3.001	-3.001	-3.001
600030	TOTAL RECEIPTS	-2,119.578	-2,220.057	-2,234.267	-2,248.734
600035	TOTAL DOE LESS RECEIPTS	9,257.698	12,859.324	11,385.274	10,565.956
600070	ADVANCES FOR COOPERATIVE WORK				
600071	ADVANCES FOR COOPERATIVE WORK	32.205	3.000	3.000	18.460
600073	PROPRIETARY RECEIPTS FROM THE PUBLIC	-32.205	-3.000	-3.000	-18.460
600074	TOTAL, ADVANCES FOR COOPERATIVE WORK	-----	-----	-----	-----

APPENDIX IV

Responses From Secretary Hodel to Additional Committee Questions

Department of Energy
Washington, D.C. 20585

March 6, 1984

Honorable James A. McClure
Chairman, Energy and Natural
Resources Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On February 8, 1984, Secretary Donald Paul Hodel appeared before the Committee on Energy and Natural Resources to discuss the proposed budget for Fiscal Year 1985.

Following that hearing, the Committee submitted written questions for response to supplement the record. On March 2, 1984, we sent you a partial response to the questions, excluding questions 9, 52, 88, 100 and 102-104. The answers to those remaining questions are enclosed.

If you have any questions, please call Cathy Carey or Tom Pretorius of my staff on 252-4277. They will be happy to assist you.

Sincerely,

for Thomas N. Pretorius

Robert G. Rabben
Assistant General Counsel
for Legislation

Enclosure

cc: Mr. Richard Grundy
Mr. Al Astrin

Department of Energy
Washington, D.C. 20585

March 2, 1984

Honorable James A. McClure
Chairman, Energy and Natural
Resources Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On February 8, 1984, Secretary Donald Paul Hodel appeared before the Committee on Energy and Natural Resources to discuss the proposed budget for Fiscal Year 1985.

Following that hearing, the Committee submitted written questions for response to supplement the record. Enclosed are the answers to those questions, with the exception of questions 9, 52, 88, 100 and 102-104. The remaining answers will be provided under separate cover as soon as possible.

If you have any questions, please call Cathy Carey or Tom Pretorius of my staff on 252-4277. They will be happy to assist you.

Sincerely,

for Thomas H Pretorius

Robert G. Rabben
Assistant General Counsel
for Legislation

Enclosure

cc: Mr. Richard Grundy
Mr. Al Astrin
Committee Staff

POST-HEARING QUESTIONS AND ANSWERS

RELATING TO THE

FEBRUARY 8, 1984, HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES

UNITED STATES SENATE

WITNESS: SECRETARY HODEL

QUESTIONS SUBMITTED BY THE MAJORITY

Question 1: Would you provide for the record a list of legislative initiatives accompanying the proposed fiscal year 1985 budget?

Would you include a statement of purpose, proposed language (if available at this time, but, if not, an indication of when it will be available); and an explanation of the language?

Would you also indicate whether it is your intention to submit legislation and whether, in your judgement, such legislation would be forwarded to the authorizing committee or to the Appropriations Committee?

Answer: The following is a list of Department of Energy (DOE) legislative initiatives that would have an impact on the FY 85 budget:

1. Repeal of Personnel Floors

   - o Repeals the mandatory personnel floors established in law for the Office of the Assistant Secretary for Fossil Energy, the Office of the Assistant Secretary for Conservation and Renewable Energy, the Energy Information Administration, and the Economic Regulatory Administration.
   - o We plan to transmit this proposal to the Congress shortly. It could be referred to either the authorizing or appropriations committee.

2. Distribution of Overcharge Funds

   - o Provides a mechanism for the orderly disposition of funds received from the

petroleum industry for violation of petroleum price regulations.

- o We plan to submit this proposal to the Congress during the week beginning February 27, and I expect that it will be referred to the Energy and Natural Resources Committee.

3. Energy Information Administration Amendments -- Reporting Requirements Reduction

- o Eliminates several burdensome reporting requirements, including the Financial Reporting System and certain coal supply reports.
- o This proposal was transmitted to the Congress on April 13, 1983, introduced in the Senate (S. 2081) on November 10, 1983, and referred to the Energy and Natural Resources Committee.

4. Small Hydroelectric Project Regulatory Relief Amendment.

- o Extends FERC authority to waive Federal Power Act licensing requirements for hydroelectric projects of 15 megawatts or less.
- o This proposal was transmitted to the Congress on July 13, 1983.

It was referred to the Energy and Natural Resources Committee.

5. The DOE Annual Authorizations

- o Authorizes appropriations in FY 85 and FY 86 for (1) civilian energy programs, (2) national security programs, and (3) the naval petroleum reserves (NPR).
- o The three authorization bills will be transmitted to the Congress before March 1, 1984. I expect that, as usual, the national security authorization and the NPR authorization will be referred to Armed Services and the civilian authorization to the Energy and Natural Resources Committee.

Questions from the Majority

Supplementals, Rescissions and Deferrals

Question 2: Would you provide for the record a list of any fiscal year 1984 supplemental or deferral requests by appropriation account?

Question 3: Would you provide for the record a list of any current or anticipated fiscal years 1984 and 1985 rescissions or deferrals pursuant to the Budget and Impoundment Control Act assumed by the proposed budget for fiscal year 1985; copies of the relevent budget justifications; and the status of such proposed actions?

Answer: The following FY 1984 supplemental appropriation requests for the Department are currently pending before Congress:

FY 1984 Supplementals
(dollars in thousands)

Atomic Energy Defense Activities	$157,600
Emergency Preparedness and Energy Regulation	3,000
Pay Raise Supplementals:	
Federal Energy Regulatory Commission	1,731
Energy Information Administration	521
Emergency Preparedness and Energy Regulation	575
Total Proposed FY 1984 Supplementals	$163,427

The President's FY 1985 Budget assumes no rescission, during FY 1984 or FY 1985, of funds appropriated to the Department. On February 1, 1984, the President reported to Congress, FY 1984 deferrals for the Department totaling $163,135 thousand of which $150,171 thousand will be used to partially offset FY 1985 funding requirements. These offsets are reflected in the President's Budget. The remaining $12,964 thousand will be released as the need arises to fund over-budget deficiency judgments on land condemnation cases associated with the Strategic Petroleum Reserve. Below is a list of the current FY 1984 deferrals by appropriation account. Supporting documentation for these deferrals is attached.

FY 1984 Deferrals
(dollars in thousands)

Energy Supply Research and Development	$ 10,052
Fossil Energy Research and Development	9,493
Fossil Energy Construction	37,196
Naval Petroleum and Oil Shale Reserves	41,500
Energy Conservation	10,077
Strategic Petroleum Reserve	12,964
Alternative Fuels Production	5,800
Operation and Maintenance, Southwestern Power Administration	7,000
Departmental Administration	29,053
Total FY 1984 Deferrals	$163,135

Deferral No: D84-39

DEFERRAL OF BUDGET AUTHORITY

Report Pursuant to Section 1013 of P.L. 93-344

Agency: Department of Energy	New budget authority (P.L. 98-181 / P.L. 98-50): $1,959,609.00
Bureau: Energy Programs	Other budgetary resources: 545,942.70
Appropriation title & symbol: Energy Supply Research and Development Activities 89X0224 1/	Total budgetary resources: 2,505,551,70
	Amount to be deferred: Part of year: ____ Entire year: 10,052,00
OMB identification code: 89-0224-0-1-271	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act ☐ Other ____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☐ Multiple-year ____ (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ____

Justification: This account funds a variety of R&D programs in nuclear fission, fusion and solar and renewables technologies as well as supporting research. The deferral of $10,052,000 reflects unobligated prior year funds in solar and renewables R&D programs that are in excess of 1984 program requirements. These funds are being deferred into 1985 to partially offset the 1985 appropriation request. The deferred funds include Solar Buildings ($400,000), Photovoltaics ($1,000,000), Solar Thermal ($700,000), Biofuels ($200,000), Wind Energy Systems ($3,000,000), Ocean Energy Systems ($250,000), International ($75,000), Solar Information ($200,000), Solar Program Direction ($1,500,000), Geothermal Technology Development ($273,000), Geothermal Program Direction ($250,000), Hydropower Program Direction ($300,000), Hydrothermal Industrialization ($75,000), Electric Energy Systems (Systems Technology, $886,000), and Thermal and Mechanical Storage ($943,000).

Estimated Program Effects: None.

Outlay Effects: This deferral action will shift $10,052,000 of potential 1984 outlays to 1985.

1/ This account was the subject of deferrals in 1983 (D83-72 and D83-48A).

D84-21B

Supplementary Report

Report Pursuant to Section 1014(c) of Public law 93-344.

This report updates Deferral No. D84-21A transmitted to Congress on December 14, 1983.

This is an increase of $8,993,000 to a previous deferral of $500,000 in the Department of Energy's fossil energy research and development account, resulting in a total of $9,493,000 deferred. These funds are not currently programmed for use in 1984 and are being deferred into 1985 to partially offset the 1984 appropriation request.

Deferral No: D84-218

DEFERRAL OF BUDGET AUTHORITY

Report Pursuant to Section 1013 of P.L. 93-344

Agency: Department of Energy	P.L. 98-146 New budget authority: $ 260,214,000 *
Bureau: Energy Programs	(P.L. 98-181): 88,503,434 *
Appropriation title & symbol: Fossil Energy Research & Development 89X0213 1/	Other budgetary resources: 348,717,434 *
	Total budgetary resources:
	Amount to be deferred: Part of year: *
	Entire year: 9,493,000 *
OMB identification code: 89-0213-0-1-271	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act ☐ Other
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☐ Multiple-year (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other

Justification: * This account funds research and development activities in coal, petroleum and unconventional natural gas. The $9,493,000 to be deferred is an increase of $8,993,000 over the previous deferral of $500,000. The deferral consists of three major components: $2,750,000 of unobligated prior year funds (including $500,000 previously deferred in the surface coal gasification program); $2,000,000 appropriated in 1984 for geopressured methane research activities which duplicate work funded in the Department of Energy Geothermal Energy program; and $4,743,000 in reimbursements from the foreign contributions to the Solvent Refined Coal (SRC-II) demonstration project. These funds are not currently programmed for use in 1984 and are being deferred into 1985 to partially offset the 1985 appropriation request.

Estimated Program Effects: None.

Outlay Effects: This deferral action will shift an additional $8,993,000 in outlays from FY 1984 to FY 1985.

1/ This account was the subject of deferrals in 1983 (D83-8A, D83-73 and D83-80).

* Revised from previous report.

D84-25A

Supplementary Report

Report Pursuant to Section 1014(c) of Public law 93-344.

This report updates Deferral No. D84-25 transmitted to Congress on December 14, 1983.

This is an increase of $23,196,000 to a previous deferral of $14,000,000 in the Department of Energy's fossil energy construction account, resulting in a total of $37,196,000 deferred. These funds are not currently programmed for use in 1984 and are being deferred into 1985 to partially offset the 1985 appropriation request.

Deferral No: D84-25A

DEFERRAL OF BUDGET AUTHORITY

Report Pursuant to Section 1013 of P.L. 93-344

Agency Department of Energy	New budget authority (P.L.) $
Bureau Energy Program	Other budgetary resources 56,481,070
Appropriation title & symbol Fossil Energy Construction 89X0214 1/	Total budgetary resources 56,481,070
	Amount to be deferred: Part of year Entire year 37,196,000
OMB identification code: 89-0214-0-1-271	Legal authority (in addition to sec. 1013): ☐ Antideficiency Act
Grant program ☐ Yes ☒ No	☐ Other
Type of account or fund: ☐ Annual ☐ Multiple-year (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other

Justification: This account funds major construction projects related to Fossil Energy. The $37,196,000 to be deferred is an increase of $23,195,000 over the previous deferral of $14,000,000. These funds consist of recoveries of prior year obligations for projects which have been completed or terminated. The majority of this amount, $23,158,000, is a reimbursement from foreign contributions to the Solvent Refined Coal (SRC-II) demonstration project. These funds are not currently programmed for use in 1984 are being deferred into 1985 to partially offset the 1985 appropriation request.

Estimated Program Effects: None.

Outlay Effects: This deferral action will shift an additional $23,196,000 in outlays from FY 1984 to FY 1985.

1/ This account was the subject of a deferral in 1983 (D83-49A).

Deferral No: D84-40

DEFERRAL OF BUDGET AUTHORITY
Report Pursuant to Section 1013 of P.L. 93-344

;ency Department of Energy	New budget authority (P.L. 98-146) $ 256,600,000
ɪreau Energy Programs	Other budgetary resources 7,086,716
ɔpropriation title & symbol	Total budgetary resources 263,686,716
Naval Petroleum and Oil Shale Reserves 89X0219	Amount to be deferred: Part of year $ ____ Entire year 41,500,000
ɪ identification code: 89-0219-0-1-271	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act ☐ Other ____
ɪant program ☐ Yes ☒ No	
ɣpe of account or fund: ☐ Annual ☐ Multiple-year ____ (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ____

Justification: This account primarily funds activities necessary to operate, explore, conserve, develop and produce the naval petroleum reserves at the maximum efficient rate and to conserve the oil shale reserves. The remainder of this account includes appropriations from prior years for solar federal buildings and coal loan guarantee activities. This deferral includes $39,000,000 under the Naval Petroleum and Oil Shale Reserve Program. As a result of changes in the primary development drilling program, these funds are not required in 1984. Future wells will be primarily associated with the development of waterflood and enhanced oil recovery activities — not producing wells. Consequently, these funds are being deferred into 1985 to partially offset the 1985 appropriation request. In addition, this deferral includes $2,500,000 for prior year unobligated funds for the coal loan guarantee program. These funds are being deferred into 1985 because no qualified applicants have been identified, and are proposed for transfer to the fossil energy R&D account to partially offset the 1985 appropriation request for that account.

Estimated Program Effects: None.

Outlay Effects: This deferral action will shift $41,500,000 of potential 1984 outlays to 1985 and 1986.

Deferral No: D84-41

DEFERRAL OF BUDGET AUTHORITY
Report Pursuant to Section 1013 of P.L. 93-344

Agency: Department of Energy	New budget authority (P.L. 98-146): $431,131,000
Bureau: Energy Programs	Other budgetary resources: 59,807,387
Appropriation title & symbol: Energy Conservation 89X0215 1/	Total budgetary resources: 409,938,387
	Amount to be deferred: Part of year: ____ Entire year: 10,077,000
OMB identification code: 89-0215-0-1-272	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act ☐ Other ____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☐ Multiple-year ____ (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ____

Justification: This account funds a variety of energy R&D and grant programs providing support for buildings and community systems, industry, transportation, multi-sector research and state and local assistance. The deferral of $10,077,000 reflects unobligated prior year funds in energy conservation R&D and grant programs that are in excess of 1984 program requirements. These funds are being deferred into 1985 to partially offset the 1985 appropriation request. The deferred funds include Building and Community Systems ($3,000,000), Industry ($4,077,000), Transportation ($1,000,000), Multi-sector ($1,000,000) and State and Local Assistance Program Direction ($1,000,000).

Estimated Program Effect: None.

Outlay Effect: This deferral action will shift $10,077,000 of potential 1984 outlays to 1985.

1/ This account was the subject of deferrals in 1983 (D83-24, D83-74 and D83-76).

D84-26A

Supplementary Report

Report Pursuant to Section 1014(c) of Public law 93-344.

This report updates Deferral No. D84-26 transmitted to Congress on December 14, 1983.

This is a revision to a previous deferral of $12,707,000 in the Department of Energy's strategic petroleum reserve account, to $12,963,651; a net increase of $256,651. This revised deferral consists of prior year unobligated funds that have been set aside as a contingency to cover possible over-budget deficiency judgments on land condemnation cases. These funds are being deferred under the provisions of 31 U.S.C. 1512. As the need arises these funds will be released.

Deferral No: D84-26A

DEFERRAL OF BUDGET AUTHORITY
Report Pursuant to Section 1013 of P.L. 93-344

Agency: Department of Energy	New budget authority (P.L. 98-146): $ 158,770,000
Bureau: Energy Programs	Other budgetary resources: 121,452,365
Appropriation title & symbol: Strategic Petroleum Reserve 89X0218 1/	Total budgetary resources: 280,222,365
	Amount to be deferred: Part of year: 12,963,651
	Entire year:
OMB identification code: 89-0218-0-1-274	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act
Grant program: ☐ Yes ☒ No	☐ Other
Type of account or fund: ☐ Annual ☐ Multiple-year (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other

Justification: *Funds appropriated to this account are for the development of the Strategic Petroleum Reserve (SPR), including facilities construction, planning and program administration.

The total amount of $12,963,651 to be deferred is an increase of $256,651 above the previous deferral of $12,707,000. This deferral consists of prior year unobligated funds that have been set aside as a contingency to cover possible over-budget deficiency judgments on land condemnation cases. Since the timing and magnitude of these judgments cannot be known in advance, it is possible that some or all of these funds may not be obligated during FY 1984. Hence, these funds are being deferred under the provisions of 31 U.S.C. 1512. As the need arises, these funds will be released.

Estimated Program Effect: None.

Outlay Effect: None.

1/ This account was the subject of a deferral in FY 1983 (D83-50).

* Revised from previous report.

D84-22A

Supplementary Report

Report Pursuant to Section 1014(c) of Public law 93-344.

This report updates Deferral No. D84-22 transmitted to Congress on November 17,1983.

This is a revision to a previous deferral of $13,800,000 in the Department of Energy's, Energy security reserve and alternate fuels production account. The deferral was earlier revised to $1,500,000 to reflect transfer of $13,000,000 to the Fossil energy account for use during FY 1984. The current revision increases the deferral to $5,800,000; a net increase of $4,300,000. These funds are unobligated balances made available from completed alternative fuel projects.

Deferral No: D84-22A

DEFERRAL OF BUDGET AUTHORITY
Report Pursuant to Section 1013 of P.L. 93-344

Agency: Department of Energy	New budget authority (P.L.) $
Bureau: Energy Program	Other budgetary resources 7,587,470 *
Appropriation title & symbol: Energy Security Reserve, Alternate Fuels Production 89X3180 1/	Total budgetary resources 7,587,470 *
	Amount to be deferred: Part of year
	Entire year 5,800,000 *
OMB identification code: 89-3180-0-2-271	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act
Grant program: ☐ Yes ☒ No	☐ Other
Type of account or fund: ☐ Annual ☐ Multiple-year (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other

Justification: * This program funds feasibility studies and cooperative agreements for the development and production of alternative fuels. The deferral total of $5,800,000 is an increase of $4,300,000 above the previous deferral of $1,500,000. These funds are unobligated balances made available from completed alternative fuel projects. They are not currently programmed for use in 1984 and are being deferred into 1985 and proposed for transfer to the Fossil Energy R&D account to partially offset the 1985 appropriation request for that account.

Estimated Program Effects: None.

Outlay Effects: This deferral will shift an additional $4,300,000 in outlays from FY 1984 to FY 1985.

1/ This account is the subject of a deferral in 1983 (D83-77).

* Revised from previous report.

Deferral No: D84-42

DEFERRAL OF BUDGET AUTHORITY

Report Pursuant to Section 1013 of P.L. 93-344

ency: Department of Energy	New budget authority (P.L. 98-50): $ 36,229,000
ram: Power Marketing Administration	Other budgetary resources: 13,077,308
propriation title & symbol: Southwestern Power Administration Operations and Maintenance 89X0303	Total budgetary resources: 49,306,308
	Amount to be deferred: Part of year: ____ Entire year: 7,000,000
l identification code: 89-0303-0-1-271	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act ☐ Other ____
ent program: ☐ Yes ☒ No	
pe of account or fund: ☐ Annual ☐ Multiple-year ____ (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ____

Justification: This account funds the activities of the Southwestern Power Administration (SWPA), an agency which markets wholesale hydroelectric power produced at Corps of Engineers dams in six southwestern States. SWPA activities also include construction, operation and maintenance of approximately 1,660 miles of transmission lines over which the power is distributed to customers. The deferral includes a total of $7,000,000 of unobligated balances from prior year appropriations for various construction and operation and maintenance efforts that changes in original planning assumptions have made unnecessary at the current time. Because these projects and activities have been indefinitely postponed, the funds are not needed in 1984. Consequently, the funds are being deferred into 1985 to offset part of the 1985 appropriation request for the account.

Estimated Program Effect: None. The deferral will have no programmatic effects, because the funds deferred are in excess of the amount necessary for conduct of SWPA's normal power marketing and systems operation and maintenance activities.

Outlay Effect: None.

D84-23A

Supplementary Report

Report Pursuant to Section 1014(c) of Public law 93-344.

This report updates Deferral No. D84-23 transmitted to Congress on November 17, 1983.

The $30,000,000 originally deferred in this account has been proposed for rescission in the 1985 Budget; the $2,700,000 is deferred pending enactment of appropriation language to make contingency grant funds available for administrative expenses.

Deferral No: 084-43

DEFERRAL OF BUDGET AUTHORITY

Report Pursuant to Section 1013 of P.L. 93-344

Agency: Department of Energy	New budget authority (P.L. 98-50): $ 366,056,0(
Bureau: Departmental Administration	Other budgetary resources: 74,420,8(
Appropriation title & symbol: Departmental Administration 89X0228 1/	Total budgetary resources: 440,476,8(
	Amount to be deferred: Part of year: ____ Entire year: 29,053,0(
OMB identification code: 89-0228-0-1-276	Legal authority (in addition to sec. 1013): ☒ Antideficiency Act ☐ Other ____
Grant program: ☐ Yes ☒ No	
Type of account or fund: ☐ Annual ☐ Multiple-year ____ (expiration date) ☒ No-year	Type of budget authority: ☒ Appropriation ☐ Contract authority ☐ Other ____

Justification: This account funds a variety of Department of Energy Administrative activities, including policy development and analysis activities, institutional and public liaison functions, and other program support requirements necessary to ensure effective departmental operations and management. The Department of Energy has prepared a program plan for these activities in accordance with the guidance contained in the 1984 Appropriations Bill Conference Report and as a result, use of the entire amount of prior year unobligated balances is not needed in 1984. Accordingly, the excess is being deferred into 1985 to partially offset the 1985 appropriated request. This deferral action is taken under the provisions of the Antideficiency Act (31 U.S.C. 1512).

Estimated Program Effect: This deferral will not have any identifiable programmatic effects since the funds deferred are in excess of the amount required to satisfy congressional directives.

Outlay Effect: This deferral will have no effect on FY 1984 outlays.

1/ This account was the subject of a deferral in 1983 (083-51).

QUESTIONS SUBMITTED BY THE MAJORITY

IMPLICATIONS FOR THE DEFICIT

QUESTION 4 : Would you provide for the record a list of fiscal year 1984 reprogramming actions, copies of the letters of transmittal to the Congress, and the status of such reprogrammings?

ANSWER: We are glad to provide for the record a list of fiscal year 1984 reprogramming actions and the current status of such reprogrammings. Copies of the letters of transmittal have been provided to the Committee staff.

FY 1984 Reprogramming Actions
Current Status

Description	Letters to Committees	Status
1. Southwestern Power Administration - Reprogramming request to use $700,000 to build new facilities and $4,300,000 for expanding and upgrading the present microwave communication system.	1/27/84	Pending
2. Uranium Supply and Enrichment Activities - Reprogramming request to transfer $1,700,000 of unobligated balances from the Cooling Tower Modifications project to the Environment Protection and Safety Modifications project.	2/2/84	Pending
3. Uranium Supply and Enrichment Activities - Reprogramming request to transfer $1,190,000 of unobligated balances from the Cooling Tower Modifications project to the Uranium Resource Assessment program to allow the Department to comply with the uranium monitoring and reporting requirements of P.L. 97-415.	2/2/84	Pending
4. Energy Supply Research and Development - Reprogramming request to transfer $3,000,000 from Magnetic Fusion operating expenses to plant and capital equipment for the Fusion Materials Irradiation Test Facility.	12/29/83	Pending
5. Energy Supply Research and Development - Reprogramming request to transfer $2,800,000 to the Commercial Nuclear Waste program for subseabed efforts.	1/13/84	Pending
6. Alaska Power Administration - Reprogramming request to use $400,000 to begin automation of the Eklutna Power Plant.	2/9/84	Pending
7. Energy Conservation - Reprogramming to provide $145,000 to dispose of gasoline rationing coupons.	2/7/84	Pending
8. General Science and Research - Reprogramming to redistribute funds originally intended for research and development activities relating to the Colliding Beam Accelerator Center (ISABELLE).	11/17/83	Completed
9. Energy Supply Research and Development - Reprogramming to use funds to acquire a Class VI computer for the National Magnetic Fusion Energy Computer Center at the Lawrence Livermore National Laboratory.	11/14/83	Cancelled
10. General Science and Research - Reprogramming to use $2,000,000 within the Nuclear Physics program for research and development for the Continuous Electron Beam Accelerator Facility.	2/9/84	Pending

In addition to the reprogrammings listed above, there is an appropriation transfer of $122,600,000 from Uranium Supply and Enrichment Activities to Energy Supply Research and Development for termination costs associated with the Clinch River Breeder project. Of this amount, the Department has transferred $40,000,000; the remainder is pending.

Department of Energy
Washington, D.C. 20585

FEB 7 1984

Honorable James A. McClure
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter is to inform you of the proposed reprogramming of $145,000 within the Energy Conservation appropriation to provide funds for disposal of approximately 4.8 billion gasoline rationing coupons which were printed by the Federal Energy Administration in 1974. The coupons have been in storage at the Pueblo, Colorado, Army Depot since 1975.

The Department of Energy has now completed an investigation of the cost-effective alternatives for secure disposal of the gas rationing coupons. Our study determined that the sale value of the coupons is approximately $100,000. However, the investigation also revealed that paper companies would require removal of plastic wrapping from the approximately 3,000,000 individually wrapped packets prior to recycling the paper. Therefore, we determined that total costs for recycling (including labor, transportation, handling) could range from $500,000 to $1,000,000. Accordingly, we have negotiated a modification to an existing interagency agreement between the Department of Energy and the Department of the Army to dispose of the coupons onsite at the Pueblo Army Depot at a total cost of $145,000.

We propose to use unobligated balances available from the EPCA Grant funds designated for gasoline rationing planning to cover these requirements. As you know, all activities under the Standby Gasoline Rationing Program were terminated in FY 1981. Since that time the Emergency Preparedness Program has assumed custodial duties including oversight of the gasoline rationing coupons. Therefore, this proposed reprogramming would not adversely affect in any way ongoing activities within the Department.

Your early consideration of this proposal would be appreciated. If I can provide any additional information, please let me know.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Assistant Controller
Budget, Policy and Compliance

cc:
Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Department of Energy
Washington, D.C. 20585

FEB 9 1984

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter is to inform you of a proposed reprogramming action within the Nuclear Physics program (General Science and Research appropriation) to transfer $2,000,000 of FY 1984 Operating Expenses from broadly scoped accelerator research and development activities in support of the overall Nuclear Physics program to accelerator research and development activities in more direct support of the Continuous Electron Beam Accelerator Facility (CEBAF) construction project at Newport News, Virginia. This proposed reprogramming will not adversely affect ongoing activities at the laboratories or universities. Authorization and appropriation for initiation of CEBAF construction is requested in the FY 1985 Congressional Budget Request.

Based upon an innovative design submitted by Southeastern Universities Research Association (SURA), the CEBAF project has been strongly endorsed by the DOE/NSF Nuclear Science Advisory Committee (NSAC) and selected for budget consideration by the Department of Energy. SURA is a new consortium of 25 southeastern universities.

NSAC and the basic nuclear research community endorse the CEBAF project as the next logical step for advancement of basic nuclear research in the United States. This project is an important component in America's long term investment in its technological future with nuclear processes. The most immediate need of the CEBAF project is establishment of a strong technical and manpower base in FY 1984. The present reprogramming action is necessary to establish this technical and manpower base.

Specific activities in FY 1984 will include: (1) accelerator design studies into the technology of linear electron accelerators, recirculation of electron beams through an electron linear accelerator for multiple passes of acceleration, pulse stretcher storage rings, electron beam transport instrumentation, and physics research instrumentation; (2) prototype development of high powered RF equipment, accelerator structures, and beam injection and extraction instrumentation; (3) advanced conceptual design; and (4) advanced studies of experimental equipment needed to carry out a program of basic nuclear research with electron beams. The planned FY 1984 activities in no way are an irreversible commitment of the Federal Government to the CEBAF project. In any case, the above FY 1984 activities would be a worthwhile contribution to the Nuclear Physics program and the Nation by overall advancement of important areas of accelerator technology.

Early consideration of this reprogramming action would be appreciated. If the Committee needs additional information regarding this proposed reprogramming, we will be pleased to provide it.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Assistant Controller
Budget, Policy & Compliance

cc:
Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

Department of Energy
Washington, D.C. 20585

JAN 13 1984

Honorable James McClure
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

The Conference Report (House Report 98-272) accompanying the FY 1984 Energy and Water Development Appropriation Bill, Public Law 98-50, directed the Department to make $9.6 million available for the subseabed nuclear waste disposal program in FY 1984. This is to report to you the actions taken by the Department in response to that guidance.

The long term research agenda for determining subseabed disposal concept feasibility is to acquire data by 1990 to assess four major areas:

1. Site Assessment: Determine if there are stable sedimentary formations in the deep ocean which can effectively contain radioactive wastes.

2. Emplacement Assessment: Determine if there are techniques for emplacement and isolation of the wastes which do not compromise the natural containment potential of the seabed sediments.

3. Radiological/Safety Assessment: Calculation of the radiological impacts of the total subseabed disposal system to determine the potential dose to man and effects on the marine ecosystems resulting from normal disposal operations and assumed accident conditions.

4. Institutional Assessment: Determine if there are legal and institutional frameworks which exist or can be established to provide the domestic and international regulatory mechanisms to assure satisfactory operation and controls for a subseabed disposal system.

Enclosed is a fact sheet which describes in greater detail, the planned activities for FY 1984.

Of the $9.6 million to be made available, $4.7 million was provided in the Conference Report Energy Supply Research and Development table under Terminal Isolation activities. The remaining balance of $4.9 million was to be provided from other activities in the Commercial Nuclear Waste program. After a thorough review of the subseabed program and budget requirements for FY 1984, the Department has concluded that we can achieve the FY 1984 program objectives, consistent with the long-term research agenda, with a funding level of $7.5 million. The $7.5 million will provide $6.5 million for Operating Expenses and $1.0 million for Capital Equipment purchases.

A review of the other activities in the Commercial Nuclear Wastes program revealed no funds that could be redirected without significant programmatic impact. Accordingly, the Department is providing $2.8 million from other nuclear programs within the Energy Supply Research and Development account. Specifically we are providing $2.0 million from the Three Mile Island (TMI) program in the Converter Reactor budget and $.8 million of FY 1983 Continuing Resolution funds not applied to any FY 1983 program and remaining unobligated.

Funding is available for reprogramming from the Three Mile Island program because delays in the General Public Utility (GPU) Nuclear Corporation's cleanup of their TMI-2 power plant have resulted in corresponding delays in the Department's research and development program.

We appreciate your continuing interest and support for our subseabed program. Please contact us if we can provide you with additional information.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Acting Assistant Controller
Budget, Policy & Compliance

Enclosures

cc: Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, D. C. 20510

35-235 O - 84 - 38

Department of Energy
Fact Sheet
Alternative Disposal Concepts (Subseabed)
(in millions of dollars)

	FY 1984 Request	Conference Guidance	Recommended Level
Alternative Disposal Concepts (Subseabed)	$ 4.7	$ 9.6	$ 7.5

The principal objective of the subseabed program is to determine the technical, environmental and institutional feasibility of subseabed disposal by 1990.

The technical feasibility has two critical path tests. One is actual measurement of heat transfer characteristics and effects of heat on the deep ocean clay sediments. This should confirm predictions based on laboratory measurements. The second is the testing of impact penetration of simulated waste containers to assure the capability of burying the waste within the ocean sediments and the determination of whether the clay sediments will self seal the hole after penetration.

Environmental feasibility includes the ability to predict: (1) the effects of potential release of radionuclides from the waste containers after failure; (2) the characteristics of clay sediments to retard migration of radionuclides through the sediments; and (3) the distribution of radionuclides through ocean dilution or through the biologic food web back to man. These predictions will be based on mathematical models of ocean circulation and known biological systems. Acquisition of field data is required to confirm the predictive models.

Institutional feasibility involves the evaluation of existing legal and regulatory requirements applicable to subseabed disposal and the development of recommended solutions to resolve issues which could impede the implementation of a subseabed disposal program.

In FY 1984 we would carry out the following activities:

A. In-Situ Heat Transfer Experiments (ISHTE)

1. Complete in-situ heat transfer experiment conceptual studies.

2. Design and fabricate the ISHTE platform and equipment. Demonstrate the ability to deploy and recover a mockup rig in preparation for a 1 year experiment using radionuclide heaters in FY 1986.

B. Engineering Testing

1. Complete scaled penetrator tests to evaluate depth of penetration of simulated waste containers into the clay sediments.

2. Design and develop field tests to determine hole closure following simulated waste container emplacement, preparatory for a FY 1985 field test.

C. Site Assessment

Continue to evaluate North Atlantic potential site locations.

The Department in its responsibility to carry out the Commercial Waste R&D program must balance the budget requirements with the pace of the programs as necessary to achieve the overall objectives. Accordingly, to accomplish the above tasks, the Department is recommending a $7.5 million budget ($6.5 million operating expenses and $1.0 million capital equipment) for FY 1984 rather than the $9.6 million directed by Congress. We believe that the activities planned in FY 1984 will ensure that the subseabed program is carried forward in a manner consistent with the requirements of the Nuclear Waste Policy Act.

It is our intent to maintain emphasis on subseabed disposal to determine its feasibility. At appropriate times, we will increase the budget request commensurate with our assessment of the requirements to achieve determination of subseabed feasibility in the early 1990's.

Department of Energy
Washington, D.C. 20585

DEC 2 8 1983

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The purpose of this letter is to notify you of our plans to transfer $3.0 million from operating expenses for the Fusion Materials Irradiation Test Facility (FMIT) to the FMIT construction project within the Magnetic Fusion Energy total. This will allow us to account for the planned utilization of these funds in a manner that more appropriately reflects the nature of work being performed and is consistent with past accounting practices.

It was originally estimated that about $10.0 million would be required to support the project effort in FY 1984. It was also assumed that international funding would be available to fund the construction portion of the project. However, as of this time, no source of foreign funding is available. Recent reviews of project funding requirements indicate that the design and R&D efforts can continue effectively with a minimum funding level of $7.0 million.

Recognizing that high level negotiations are being held with the European Community and Japan, continuation of the critical development and design elements of the project will allow sufficient time for these negotiations to be concluded. We have identified, within the program's current funding availability, the necessary funds to allow continuation of a minimum critical level of effort on this project, including $5.0 million of operating funds and $2.0 million of unexpended FMIT construction funds. However, in order to account for the work which is scheduled to be performed in an appropriate and consistent manner, the project requires $5.0 million of construction funds and $2.0 million of operating funds.

Therefore, we find it necessary to transfer $3.0 million of operating funds to construction. We believe that this will allow us to carry out this project consistent with the Congressional intention to see FMIT continue as a jointly funded international project. An updated construction project data sheet is enclosed to reflect the revised funding schedule.

Sincerely,

Arthur E. Sayer

for Elizabeth E. Smedley
Acting Assistant Controller
Budget, Policy & Compliance

Enclosure

cc:
Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

Department of Energy
Washington, D.C. 20585

FEB 2 1984

Honorable James A. McClure
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

This letter is to inform you of a proposed FY 1984 reprogramming within the Uranium Enrichment appropriation. This action would transfer $1,700,000 of unobligated balances in Project 82-R-412, Cooling Tower Modifications, to Project 81-R-506, Environmental Protection and Safety Modifications, Phase I. The reprogramming will allow the acceleration of the project to upgrade environmental conditions at the enrichment sites as quickly as possible.

The $1,700,000 is required to accelerate work on low-level radioactive waste disposal at Oak Ridge. Specifically, the additional funding will advance completion of the central sludge treatment facility by about one year to the fourth quarter of FY 1985. This will allow earlier cleanup of contaminated holding ponds at Oak Ridge, which will decrease the risk of environmental insult from the ponds.

This action will not adversely impact completion of the cooling tower modifications. The unobligated balances are available primarily because of lower than expected construction and equipment replacement costs and reduced project contingency requirements at the Portsmouth Gaseous Diffusion Plant.

We would be glad to provide any additional information you may need.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Acting Assistant Controller
Budget, Policy & Compliance

cc:
Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

Department of Energy
Washington, D.C. 20585

FEB 2 1984

Honorable James A. McClure
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This letter is to inform you of a proposed FY 1984 reprogramming within the Uranium Enrichment appropriation. This reprogramming will transfer $1,190,000 of unobligated balances in Project 82-R-412, Cooling Tower Modifications, to the Uranium Resource Assessment program.

This action is necessary to allow the Department to comply with the uranium monitoring and reporting requirements of Public Law 97-415. This law requires the Secretary of Energy to monitor and report annually (from 1984 to 1992) to Congress a determination of the viability of the domestic uranium mining and milling industry. Following the reprogramming, these funds will be made available to the Energy Information Administration (EIA), which has the responsibility within the Department to fulfill the requirements of this legislation.

This reprogramming action will continue the Assistant Secretary for Nuclear Energy's commitment to provide EIA funding to carry out Public Law 97-415 through FY 1984. The Department in FY 1983 reprogrammed $1,850,000 to the Uranium Resource Assessment program to fund these responsibilities.

This action will not adversely impact completion of the cooling tower modifications project. The unobligated balances are available primarily because of lower than expected construction and equipment replacement costs and reduced project contingency requirements at the Portsmouth Diffusion Plant.

We would be glad to provide any additional information you may need.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Acting Assistant Controller
Budget, Policy & Compliance

cc:
Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Department of Energy
Washington, D.C. 20585

JAN 27 1984

Honorable James A. McClure
Chairman, Committee on
Energy and Natural Resources
United States Sentate
Washington, DC 20510

Dear Mr. Chairman:

The purpose of this letter is to inform you of the need to reprogram funds within the Southwestern Power Administration (SWPA) appropriation.

Specifically, the Department proposes that $5,000,000 be transferred from SWPA Construction Activity, Jonesboro-Hergett Extra High Voltage (EHV) Interconnection project, to Construction Activity, Construction of Maintenance Facilities at Tupelo and Gore, Oklahoma ($700,000) and System metering, relaying and communications ($4,300,000).

The unobligated construction funds are available from the Jonesboro-Hergett Interconnection because recent year reduced load growth has delayed the project. Periodic negotiations with Arkansas Power and Light Company (AP&L) continue to support the EHV station and EHV line concept. However, in late 1982, AP&L notified SWPA that the EHV station would not be constructed before the late 1980's or early 1990's. This decision permits the funds to be reprogrammed to other more urgent projects.

The need for a reprogramming action at this time results from the pending expiration of current leases on present facilities in FY 1983/84. Reprogramming of funds should preclude the cost and disruption involved in moving personnel twice, once to a leased facility then to a constructed facility.

The present maintenance facilities at Muskogee and Ada, Oklahoma, have been deemed inadequate and inefficient because of size and location. A study has been completed that identifies Tupelo and Gore, Oklahoma, as the best locations for the new facilities. Construction at these locations will provide a more productive workday, reduce travel time, mileage and fuel costs, provide better support facilities, and eliminate GSA Standard Level User Charge (SLUC) rental costs.

The proposed expanded communications system will extend the present microwave system and add new channels to meet increasing needs. The upgraded system would provide nearly 100 percent reliability for Supervisory Control and Data Acquisition System (SCADA) telemetering, voice and mobile communications for each major power distribution point. Changing system conditions have occurred which could not be anticipated, and the results of long range communication studies by an independent consultant were not known, at the time the FY 1983 budget was being justified.

Your early consideration of this proposal would be appreciated. We will be glad to provide any additional information you may need.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Acting Assistant Controller
Budget, Policy and Compliance

cc: Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

Department of Energy
Washington, D.C. 20585

FEB 9 1984

Honorable James A. McClure
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The purpose of this letter is to inform you of the need to reprogram funds within the Alaska Power Administation (APA) Appropriation. It is the Department's intention to apply unobligated balances from prior year appropriations in General Investigations and Program Direction to the Operation and Maintenance account to support the automation of the Eklutna Power Plant. The automation would be achieved by installing a Supervisory Control and Data Acquisition (SCADA) system which is expected to be fully operational in early 1986. Automated operation is now the industry norm for relatively small plants such as Eklutna. Moreover, the estimated cost savings from the automation will result in full recovery of the SCADA costs within five years. The timing of this proposal is of particular importance. The automation of Eklutna will permit the elimination of 3 operators at the Eklutna plant who plan to retire at the end of 1986 when the automation system will be operational. The reprogramming will avoid the need to recruit replacements.

The total estimated cost of the SCADA is $1,130,000 of which $836,000 is proposed for reprogramming in FY 1984 from prior year unobligated balances including $100,000 from Program Direction, $300,000 from General Investigations, and $436,000 from Operation and Maintenance. The $294,000 balance is included in the FY 1985 Congressional budget request.

Your consideration of this proposal would be appreciated. We will be glad to provide any further information you may need.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Acting Assistant Controller
Budget, Policy and Compliance

cc: Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

Department of Energy
Washington, D.C. 20585

NOV 14 1983

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The purpose of this letter is to inform you of our plans to acquire an interim Class VI computer for the National Magnetic Fusion Energy Computer Center (NMFECC) at the Lawrence Livermore National Laboratory. The purposes of this acquisition are: (1) to provide a partial solution to a severe capacity shortage for the Magnetic Fusion program; and (2) to provide access to a large, state-of-the-art computer to DOE contractors in High Energy and Nuclear Physics, Basic Energy Sciences and Health and Environmental Research. The contractors in these three programs have requested access to such large computers to pursue their research objectives. Adding a machine to the NMFECC is the most cost effective way to meet those needs. The machine will be leased for an estimated 15 months starting in November and will be removed from the NMFECC when a more advanced machine is installed and is fully operational.

The scientists and engineers in the High Energy and Nuclear Physics, Basic Energy Sciences and Health and Environmental Research programs with very few exceptions have not had access to large, state-of-the-art computers; although they do a substantial amount of computing on small and intermediate size computers. In FY 1983, these programs were provided with a small amount of time (5% of the total Cray-1 time) at the NMFECC on a trial basis. During the trial period an assessment of large scale computing needs of these programs concluded that at least one computer would be fully utilized, if available, in FY 1984. The addition of a new Class VI machine to the NMFECC is a cost effective means of providing large scale computing to all contractors in those programs since all of the elements required to provide efficient service to remote users already exist at the NMFECC and can be immediately and inexpensively extended to new users. The funds for the lease,

maintenance and additional operating expenses associated with the new computer total $2,800,000 in FY 1984. These funds will be provided as follows: High Energy and Nuclear Physics - $1,250,000; Basic Energy Sciences - $1,250,000; and Health and Environmental Research - $300,000. Computer usage by each of the three programs mentioned above and the Magnetic Fusion program will be commensurate with their contributions to the total operating costs of the NMFECC.

Providing access to state-of-the-art computers for the scientists supported by these three programs will result in greater scientific productivity than other lower priority uses for the funds such as computing on smaller computers. The full extent of the computer requirements only became clearly known during the trial use of the MFE network which occurred after preparation of the FY 1984 budget.

If you have any questions, please do not hesitate to call me.

Sincerely,

Elizabeth E. Smedley

Elizabeth E. Smedley
Acting Assistant Controller
Budget, Policy & Compliance

cc:
Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate

Department of Energy
Washington, D.C. 20585

FEB 7 1984

Honorable James A. McClure
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

This transmits the Department's plan for funding the costs of terminating the Clinch River Breeder Reactor Project (CRBRP).

Deputy Secretary Boggs' November 18, 1983, letter advised you of the Department's plan to transfer $50 million in Uranium Enrichment funds, as authorized by Section 302 of the FY 1984 Energy and Water Development Appropriations Act (P.L. 98-50), to cover expected termination costs through February 1984. This would permit time necessary to prepare a detailed termination plan and to identify the best source of funds to cover the termination costs. The termination plan has been prepared and is in the final stages of completion. A preliminary copy of the termination plan is enclosed. It estimates the total termination cost at $171.6 million. After a review of the entire Department for potential sources of funds, it has been determined that the best course of action is to transfer the remaining funds required from the Uranium Enrichment account. Accordingly, the Department, pursuant to P.L. 98-50, plans to use the remaining transfer authority applicable to the FY 1984 Uranium Enrichment account to transfer $47 million to the Energy Supply R&D account, and in addition, proposes to transfer $25.6 million from the FY 1983 Uranium Enrichment account pursuant to authority contained in P.L. 97-88 as continued by P.L. 97-377 and P.L. 98-63. Your confirmation of this action is desired.

These actions, in concert with the use of $49 million of uncosted CRBRP obligations and utility contributions, will provide the $171.6 million which is required to bring about the termination of the project. These funds will be applied to cover termination activities including site maintenance and redress, preparation of equipment and material for disposal, managing termination of subcontracts, separation and relocation of contractor and subcontractor employees, and cataloging and storing technical data. Further detail regarding the planned termination activities and their estimated costs is provided in the enclosed preliminary draft of the termination plan. Termination activities are scheduled for completion by the end of FY 1985. The final plan for the CRBRP termination will be provided to you under separate cover.

The appropriation transfer from the Uranium Enrichment program will not impact the conduct of that program. The transfer will be taken from funds that are available because power costs have not increased as much as originally estimated in both FY 1983 and FY 1984.

Please feel free to contact me if I can provide further information.

Sincerely,

Elizabeth E. Smedley
Assistant Controller
Budget, Policy and Compliance

Enclosure

cc: Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, D. C. 20510

Department of Energy
Washington, D.C. 20585

November 18, 1983

Honorable James A. McClure
Chairman, Committee on
Energy and Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

The Department is in the process of determining the cost of terminating the Clinch River Breeder Reactor (CRBR) program and identifying sources of funds for this purpose. As soon as we have developed a specific course of action, we will provide it to you for review. In the meantime, closeout activities on CRBR are continuing. Termination activities being conducted include site caretaking, preparation of equipment and material for disposal, managing termination of subcontracts, determining the costs associated with the separation and relocation of contractor and subcontractor employees, preparation of a detailed termination plan, and cataloging and storing technical data.

We have exhausted all carryover funds which were available for the CRBR project and propose to continue to fund mandatory costs with an appropriation transfer until we have a final plan. We propose to transfer $50 million of Uranium Enrichment funds as authorized by section 302 of the FY 1984 Energy and Water Development Appropriation Act to cover expected termination costs through February 1984. This will enable essential termination activities to continue in the interim until a final plan can be completed. The funding is available from the Uranium Enrichment account because power costs were less than had been anticipated when the budget was submitted; therefore, there will be no adverse impact to Uranium Enrichment activities. Until OMB and Treasury can take the steps necessary to execute this transfer, the Department has made available, on a stop gap basis, funds from within the Energy Supply Research and Development account which otherwise would not be needed until later in the fiscal year.

Our ultimate proposal will attempt to minimize the overall impact on the Department of absorbing the CRBR closeout costs and will consider numerous funding sources. We will keep you apprised of our progress in this matter. If you have any questions, please contact me.

Sincerely,

Danny J. Boggs
Deputy Secretary

cc: Honorable J. Bennett Johnston
Ranking Minority Member
Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

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QUESTIONS FROM THE MAJORITY
MANAGEMENT INITIATIVES

Question 5: The DOE proposed budget indicates estimated fiscal year 1984 and 1985 savings that are to be achieved by management initiatives.

a. What is the specific nature of these management initiatives?

b. By appropriations account, would you provide for the record the assumed fiscal year 1984 and 1985 savings?

c. If these savings are not achieved, will the DOE support appropriation of the full program budget authority indicated in the budget, or will the programs be asked to absorb the estimated savings not achieved?

Answer: The management initiatives savings reflected in the budget represent the implementation actions of the Department with regard to some of the recommendations of the President's Private Sector Survey on Cost Control and management improvements under the Reform'88 program. These initiatives are essentially directed to improvements in practices, procedures, and systems to enhance efficiency and economy in managing our programs. The initiatives include improvements in our system for managing cash flow and deobligation of funds, reforms in organization, ADP, procurement, financial management and personnel and payroll processes, better utilization of our GOCO contractor resources, more economical acquisition of printing and economies in our travel services. The following chart shows the distribution of management initiative savings by appropriation account (dollars are in thousands).

(DOLLARS IN THOUSANDS) 2

	FY 1984 Budget Authority	FY 1984 Budget Outlays	FY 1984 Full Time Equivalent	FY 1985 Budget Authority	FY 1985 Budget Outlays	FY 1985 Full Time Equivalent*
Nav Petr Res	$ 50	$ 50	1	$ 30	$ 30	-
Strag Petr Res	$ 6,000	$ 6,000		$ 6,000	$ 6,000	-
Energ Conserv	$ 4,000	$ 4,000		$ 4,000	$ 4,000	-
Fossil Energ	$ 6,150	$ 6,150	3	$ 6,210	$ 6,210	5
Energ Info Adm	$	$ -		$ 70	$ 70	2
SW Power Adm	$ 60	$ 60	5	$ 232	$ 232	11
Bonv Power Adm	$ 215	$ 10,215	22	$ 1,404	$ 11,404	30
Deptl Adm	$ 4,375	$ 4,375	22	$ 4,946	$ 4,946	52
Atomic Enrg Def	$ 10,550	$ 24,450	54	$ 33,038	$ 46,938	98
Westrn Powr Adm	$ 100	$ 100	11	$ 370	$ 370	4
Gen Scienc/Res	$ 700	$ 2,100		$ 5,300	$ 6,700	-
Nucl Waste Disp	$	$ 1,600		$ 3,200	$ 4,800	-
Uran Enrich	$	$		$ 2,000	$ 2,000	-
Energ Supy R&D	$ 15,300	$ 20,100	2	$ 29,200	$ 34,000	28
Total Dept.	$ 47,500	$ 79,200	120	$ 96,000	$ 127,700	230

The Department is confident that it can achieve the total $143 million in management savings ($47 million in FY 1984 and $96 million in FY 1985). However, if we are not able to obtain all of those savings, we have proposed, as part of the budget, appropriation language which would adjust the amount of new budget authority to compensate for the shortfall if deobligation and/or IG audits do not fully materialize. This covers $94 million of the $143 million. The remaining savings relate to such items as procurement reform, administrative improvement, etc., and are allocated to individual programs. We have done that to encourage program managers to help find these savings. If, however, it becomes evident that these savings cannot be realized and the programs are going to be adversely impacted, we will consider reprogrammings, transfers and/or supplementals as appropriate to alleviate the problems.

*FTE savings shown is the incremental amount above the FY 1984 savings level.

QUESTIONS FROM THE MAJORITY

ADJUSTMENTS

Question 6: Similarly, the DOE proposed budget estimates adjustments due to prior year balances.

a. What is the nature of these adjustments?

b. By appropriations account, would you provide for the record the assumed fiscal year 1984 and 1985 adjustments?

c. If these adjustments are not realized, will the DOE support appropriation of the full program budget authority indicated in the budget, or will the programs be asked to absorb the adjustments for prior year balances not realized?

Answer: These adjustments are some of the unobligated balances from funds appropriated in prior years which are proposed to offset FY 1985 funding requirements. In FY 1985, some of these unobligated prior year balances come about as a result of the FY 1984 management initiatives. The following is a list of these adjustments by appropriation account:

Adjustments in FY 1984 and FY 1985
(dollars in thousands)

	FY 1984	FY 1985
Energy Supply Research and Development:		
Excess Unallocated Funds From FY 1983 Continuing Resolution	$ 65,000	$ ---
Deferral of FY 1983 Unobligated Balances..	---	10,052*
Savings from Management Initiatives - 1984	---	15,300
Savings from Management Initiatives - 1985	---	17,000
General Science:		
Savings from Management Initiatives - 1984	---	700
Departmental Administration:		
Deferral of FY 1983 Unobligated Balances..	25,000	29,053*
Savings from Management Initiatives - 1984	---	4,375
Savings from Management Initiatives - 1985	---	2,000
Southwest Power Administration:		
Deferral of FY 1983 Unobligated Balances..	---	7,000*
Savings from Management Initiatives - 1984	---	60
Western Area Power Administration:		
Savings from Management Initiatives - 1984	---	100

Fossil Energy Research and Development:		
Transfers from Other Accounts.....	16,040	11,300*
Use of FY 1983 Unobligated Balances.....	35,000	46,689*
Savings from Management Initiatives - 1984	---	6,150
Savings from Management Initiatives - 1985	---	6,000
Naval Petroleum and Oil Shale Reserves:		
Use of FY 1983 Unobligated Balances.....	---	39,000*
Savings from Management Initiatives - 1984	---	50
Energy Conservation:		
Use of FY 1983 Unobligated Balances.....	---	10,077*
Savings from Management Initiatives - 1984	---	4,000
Savings from Management Initiatives - 1985	---	4,000
Strategic Petroleum Reserve:		
Savings from Management Initiatives - 1984	---	6,000
Savings from Management Initiatives - 1985	---	6,000

*Balance currently available.

As indicated above, approximately $153 million of the adjustments result from the use of balances currently available. The rest result from savings during FY 1984 and FY 1985 due to management initiatives, primarily deobligations and Inspector General audit findings. The Department is confident that all of these savings can be achieved. However, the proposed appropriation language submitted as a part of the President's Budget, provides relief in the event of a shortfall in savings resulting from deobligations and IG audits. The remaining savings reflected as adjustments relate to such items as cash management, administrative improvements, etc. and are offset to individual programs. That has been done to encourage program managers to help find these savings. If it becomes evident that these savings can not be realized and the programs are going to be adversely affected, we will propose reprogramming, transfer, and/or supplementals, as appropriate, to alleviate the problems.

QUESTIONS SUBMITTED BY THE MAJORITY

Question 7(a): You have proposed that the Petroleum Overcharge Fund monies now in escrow, or expected to be placed in escrow, be used to fund certain energy conservation programs of the Department of Energy, and the fuel assistance program within the Department of Health and Human Resources.

When can we expect to receive that legislation?

Answer: We plan to submit this proposal to the Congress during the week beginning February 27.

QUESTIONS SUBMITTED BY THE MAJORITY

Question 7b: Please provide a projection of escrow funds available in FY84, FY85, and FY86, including a breakdown of that portion that would go to HHS and the amount that would remain in DOE.

Answer: As of December 31, 1983, approximately $420 million was being held in deposit fund escrow accounts. Of that amount, approximately $394 million is the subject of administrative proceedings now underway to attemot to identify injured persons and to ascertain the amounts owed to them. Estimated potential additional overcharge recoveries over the next several years approximate $5 to $6 billion. Based on historical trends it is estimated that 60-85 percent of amounts held in escrow will not be needed for direct restitution to injured persons and, accordingly, would be available to provide indirect restitution through the Petroleum Overcharge Restitution Fund. The President's FY 1985 budget request includes an estimate of $2 billion to be deposited in FY 1984 but does not include estimates for the out-years. The FY 1984 estimate was based upon an initial projection of the status of cases in the administrative and judicial pipeline. Because of the uncertainties surrounding the length of time needed to complete current overcharge administrative and judicial proceedings, it is not possible to present an exact projection of the amount that will be available

for deposit in the Fund in a specific fiscal year; but we do expect funds to be available for disbursement by FY 85.

The President's FY 1985 budget request includes:

-- $1.875 billion for the HHS low-income home energy assistance program.

-- $190 million for weatherization.

-- $48 million for schools and hospitals grants.

Those amounts are requested in the HHS budget. HHS would then transfer $238 million (190 + 48) to DOE to carry out the weatherization and schools and hospitals programs.

The budget request for these programs assumes enactment of the "Petroleum Overcharge Restitution Act", which we expect to submit to the Congress imminently. Under that legislative proposal, appropriations made for the three programs would be derived from the Petroleum Overcharge Restitution Fund to the extent of amounts in the Fund. The balance of the appropriated amounts would come from the general fund of the U.S. Treasury. As additional amounts are deposited in the new Fund, they would be used to repay the general fund

QUESTIONS SUBMITTED BY THE MAJORITY

Question 7c: Would the Administration support appropriations for these energy conservation programs in the event that this legislation does not pass in time?

Answer: The President's FY 1985 budget request for DOE's weatherization and schools and hospitals programs assumes enactment of this legislation. The Administration does not plan to request FY 1985 appropriations for those programs if the legislation is not enacted. Should the Congress appropriate funds for the programs in the absence of an Administration request (as it has done in the past), we, of course, would carry them out.

QUESTIONS SUBMITTED BY THE MAJORITY

Question 7d: If the legislation passes in time and there are insufficient monies available in the Overcharge Fund to support the authorized amounts, will the Administration support appropriations for the General Treasury to meet the difference?

Answer: Yes; the proposed legislation so provides.

QUESTIONS FROM THE MAJORITY

Question: 8. There have been press reports that the Saudis are building Seaborne Emergency Oil Storage. What is your understanding of the status of this effort and the amounts of oil that are involved?

Answer: Beginning in late November 1983, the Saudis' Swiss-based marketing company, Norbec, began chartering Very Large Crude Carriers (VLCC's) and Ultra Large Crude Carriers (ULCC's) capable of providing floating storage for periods up to 120 days. (The duration of commercial pre-voyage floating storage ranges from 30 to 120 days). It has been reported publicly that, in mid-January 1984, the Saudis resumed charter activity and that by end-January they had about 25 vessels capable of holding 45 million barrels of crude (about 15 to 20 days of supply if Saudi exports from the Gulf were cut off and the Yanbu pipeline operated at capacity -- 1.85 MMB/D).

QUESTIONS FROM THE MAJORITY

QUESTION 9: There is a need to assure that SPR oil is introduced into the market and that it in fact reaches the eventual users during the energy emergency.

a. What is being done to assure that SPR oil is not hoarded or speculated with?

b. What specific actions are being undertaken in connection with the standard sales contract, or otherwise to deal with those situations that affect public health and safety, or jeopardize the planting or harvesting of agricultural crops?

ANSWER: a. It is difficult, if not impossible, to tell when particular inventory practices are hoarding as opposed to prudent stock management. Such a distinction depends on how one defines the terms, e.g., is the failure to refine crude oil immediately after its initial purchase during an energy emergency "hoarding," or is it simply prudent inventory management? Does it make a difference if the crude oil is refined, but the resulting product is stored? Given the uncertainties inherent in most kinds of supply disruptions, such as how much oil supply will be lost, for how long, what additional supplies will become available, and how the traditional patterns of trading will shift, it is difficult, if not impossible, to distinguish whether particular conduct is "hoarding" or prudent stock management.

Furthermore, in a decentralized market, each refiner must have the flexibility to stock according to demand patterns and the capabilities of the company's refinery and distribution system to meet expected demand. The Government has neither the competence nor day-to-day market intelligence to make such decisions.

In addition, the price paid for SPR oil by each purchaser should reflect the market value of the SPR oil at the time of competitive sale. The marketplace necessarily will reflect the collective views of its participants concerning the likely range of future events which may impact value.

In our view, the best policy for preventing speculation is to maintain as wide a universe as possible of SPR bidders. In most cases, speculation occurs when the speculator can obtain a resource at a cost that is below its perceived market value. Providing for maximum possible competition will ensure that the market value of SPR oil is properly determined and this will, as a result, deter speculation. In addition, because the "hoarder" or "speculator" must incur the additional expenses for storage of the oil and the cost of money invested, it is doubtful that he can successfully bid against a wide range universe of other SPR buyers who have immediate needs for the oil.

b. The Standard Sales Provisions set out sales contracting procedures and establish requirements for bidder and purchaser financial performance. They do not stipulate special treatment provisions for any particular groups or segments of the economy. The current policy is to sell SPR oil to the highest bidder without restriction of potential bidder universe. However, up to 10 percent of the sale for any calendar month may be directed at the Secretary's discretion, with the price of any directed sales being the average of that sold at the contemporaneous competitive sale.

A general policy of early use of SPR oil in large volumes during severe energy supply disruptions will dampen price increases and avoid unnecessary panic and speculative behavior, such as hoarding, in the marketplace. It will preserve an orderly marketplace which, in turn, will assure that those who need the oil the most will be able to obtain it at prevailing market prices from those who have it. Through this process, the oil will flow to the high value uses, such as, for example, agricultural or health and safety uses.

QUESTIONS FROM THE MAJOPITY

Question 9A: Mr. Secretary, in your earlier testimony, with regard to the issue of whether or not the Department will publish final entitlements lists, you stated that "We have considered a wide range of issues on this whole entitlements list publication and the decision not to issue the final close-out list was not easily or lightly arrived at." In view of this statement, am I correct in assuming that you have now made a final decision not to publish those lists?

Answer: No, that is not correct and I apologize if my earlier remarks suggested that a final decision had been made. Last November, in the Federal Register, we published a notice of our intent to hold a public hearing on this issue. At that time, we stated that the Department had "tentatively determined" that it may not be appropriate to publish the list. We solicited public comment on this proposal and have since received both oral testimony and over one hundred written comments. The Department is presently analyzing these materials. A final decision will not be made until the Department completes its analysis.

QUESTIONS FROM SENATOR HATFIELD

Question 10: Your FY 1985 budget request contains $252.2 million to continue the Low-Income Weatherization Assistance and Schools and Hospitals programs. These programs, and the Low-Income Energy Assistance Program, funded through Health and Human Resources, will be paid for by funds appropriated through the Petroleum Overcharge Restitution Fund, which DOE will ask Congress to enact. I have a number of questions regarding this proposal:

a. How many separate court settlements are there to date, which require some type of disbursement of oil overcharge funds? Please provide a list and decisions by the court as to where the funds are supposed to go.

Answer: There have been a number of judicial decisions over the years which have upheld agency remedial orders requiring restitution of overcharges by oil companies. Generally those cases, which seldom involved over a million dollars, required payments to first purchasers. However, since decontrol, which eliminated the regulatory mechanisms limiting prices while permitting pass-through of increased costs, several courts have remanded or referred such decisions to the Department to devise a new remedy. E.g., Grigsby v. DOE, 561 F. Supp. 50 (W.D. La. 1982), aff'd. on other grounds, 701 F.2d 147 (TECA), cert. denied, 103 S. Ct. 1170 (1983); Olympia Exploration v. DOE, 4 Energy Mgmt. (CCH)

(Answer 10a cont.)

¶ 26,368 (W.D. Okla. 1981); Sundance Oil Co. v. DOE, 4 Energy Mgmt. (CCH) ¶ 26,345 (D. Colo. 1981); Christmann & Welborn v. DOE, C.A. No. 5-79-7 (N.D. Tex. Dec. 20, 1982). Indeed, one court recently asked the Department to propose a remedy in one of the agency's largest overcharge actions, involving over a billion dollars in restitutionary funds. (In re The Department of Energy Stripper Well Exemption Litigation, M.D.L. No. 378 (D. Kan.)). In those cases where it has been determined that the injured parties cannot be identified, courts have ordered nearly $1.7 billion in crude oil overcharges to be distributed to the various states in accordance with the formula set forth in the Warner Amendment, Pub. L. No. 97-377, (United States v. Exxon Corp., 461 F. Supp. 816 (D.D.C. 1983), appeal docketed, No. DC-91 (TECA July 7, 1983)), and over $100 million paid into miscellaneous receipts of the U.S. Treasury (Getty Oil Co. v. DOE, 569 F. Supp. 1204 (D.Del. 1983), appealed on other grounds, No. 3-37 (TECA Oct. 19, 1983)).

QUESTIONS SUBMITTED BY SENATOR HATFIELD

Question 105: How much is currently available in the petroleum overcharge fund and how much do you expect to be available at the beginning of FY 1985?

Answer: As of December 31, 1983, approximately $420 million was being held in deposit fund escrow accounts. Of that amount, approximately $394 million is the subject of administrative proceedings now underway to attempt to identify injured persons and to ascertain the amounts owed to them. Estimated potential additional overcharge recoveries over the next several years approximate $5 to $6 billion. Based on historical trends it is estimated that 60-85 percent of amounts held in escrow will not be needed for direct restitution to injured persons and, accordingly, would be available to provide indirect restitution through the Petroleum Overcharge Restitution Fund. The President's FY 1985 budget request includes an estimate of $2 billion to be deposited in FY 1984 but does not include estimates for the out-years. The FY 1984 estimate was based upon an initial projection of the status of cases in the administrative and judicial pipeline. Because of the uncertainties surrounding the length of time needed to complete current overcharge administrative and judicial proceedings, it is not possible to present an exact projection of the amount that will be available

for deposit in the Fund in a specific fiscal year; but we do expect funds to be available for disbursement by FY 1985.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

Question 10c: In the future, if Congress established this fund, what would happen if a court decided to appropriate the funds in a future settlement to different recipients?

Answer: Assuming that Congress enacts the legislation as we submitted it, a court rendering a judgment in favor of the Government in a future overcharge case would be required by law to order that any restitutionary amounts be paid to DOE for identification of economically injured persons and the amounts due them, followed by the deposit into the overcharge Fund of amounts not needed for direct restitution. In other words, the statute would provide the sole remedy in overcharge cases brought by the Government. I would hope and assume that a court would follow that law.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

Question 10d: Please explain why the Warner amendment is not sufficient to disburse the funds now available. Shouldn't states be given the choice as to where to spend the funds, as directed under the Warner amendment?

Answer: The Warner Amendment (section 155 of Public Law 97-377) was a one-time distribution of $200 million from overcharge collections that the Department held in escrow as of December 17, 1982. When the Congress considered the matter, the conferees on the bill rejected a provision that would have applied the Warner formula to all future overcharge collections not needed for direct restitution. Accordingly, that authority is not available now. Given the uncertain timing of overcharge recoveries, which will depend on the pace of administrative and judicial proceedings, and the large amounts involved (potentially $5 to $6 billion), we do not consider the Warner amendment to be the most appropriate formula for distributing overcharge recoveries not needed for direct restitution. We believe that the orderly, phased approach embodied in our proposed legislation better serves the goal of assuring that economically injured persons receive the benefits of restitution either directly when that is possible, or indirectly through the States when it is not.

The States should play an important role in distributing overcharge recoveries and the legislation so provides. They now have considerable flexibility in targeting within their jurisdictions the funds received under each of the three programs. More important to the States than a "choice" as to where to spend the Funds, is the assurance provided by the legislation that the Administration supports continued, stable funding of these programs in the FY 1985-1989 period as part of the legislative proposal.

QUESTIONS SUBMITTED BY SENATOR HATFIELD

Question 10e: Why does DOE propose not to fund the SECP and EES programs with this fund? Doesn't that defeat the purpose of the legislation?

Answer: The purpose of the legislation is to establish by law an orderly procedure for assuring that those harmed by overcharges receive restitution -- directly if possible, and indirectly through the States under existing energy programs when we cannot make direct restitution. The energy programs included in the legislation are those we believe will provide the greatest, most direct, and broadly-based benefit to persons who may have been harmed by overcharges. The absence of the SECP and EES programs from this proposal does not prevent the States from continuing those programs if they desire to do so.

QUESTIONS FROM SENATOR DOMENICI

BREEDER REACTOR

Question 11: The federal personnel available for program direction in the breeder reactor systems program is reduced from 189 in FY84 to 122 in FY85. What will be the impact of this reduction on the orderly termination of the Clinch River Project? What are the current programmatic responsibilities of the 67 federal employees that you plan to remove from the management of the breeder reactor systems program?

Answer: Consistent with our plans to complete the orderly termination of the Clinch River Breeder Reactor Plant (CRBRP) Project by the end of FY 1985, fewer Federal personnel will be required to work on this activity. The phase-down in the number of personnel will roughly parallel the reduction in the scope and pace of activities as the Project proceeds towards termination. All necessary termination activities can be conducted by the number of personnel expected to remain onboard between now and the end of FY 1985. Therefore, the FY 1985 personnel reduction will have no impact on the orderly termination of the Project.

The programmatic responsibilities of approximately 24 of the 67 Federal employees to be removed from the breeder program are associated with CRBR project. These include nuclear, general engineer, and management and support classifications involved with the terminal contract management, monitoring, and administrative support functions. Forty-three other positions to be eliminated are in support of other breeder program activities such as technology research and development, program management and administrative support. They are located geographically at DOE Headquarters and the Richland Operations Office.

QUESTIONS FROM SENATOR DOMENICI

Question 12: What is the dollar value of the international collaboration that is mentioned for the breeder reactor systems program?

Answer: Foreign expenditures in the United States over the last several years in support of cooperative programs in the breeder technology base program averaged $3-4 million per year. These efforts involve reactor experiments in EBR-II and FFTF for the Japanese and are expected to continue through FY 1986.

The monetary value of foreign R&D information received in exchange for U.S. information is more difficult to quantify. Our activities are guided by the principle that the value of the information exchanged should be roughly comparable. For example: The CRBRP/MONJU agreement was executed in September 1983. Under the terms of the agreement, and in exchange for our provision of CRBRP technical information, the United States will receive from the Japanese the fabrication, construction, startup, and operating information accumulated by the Japanese from the MONJU effort, an intermediate sized breeder demonstration project. This information will be of substantial benefit to the future U.S. program by making available to the U.S. information on the construction and operation of an intermediate sized breeder powerplant.

The Department intends to continue its efforts to expand existing international agreements and to initiate new agreements in the development of inherently safe, cost competitive reactor concepts.

QUESTIONS FROM SENATOR DOMENICI

Question 13: The 1985 request for breeder reactor systems has a dramatically changed account structure that includes both the base breeder program and the nuclear fuel cycle activity. Could you provide the reasoning behind combining what is essentially a reactor development program, i.e., the base breeder program, together with what is programmatically a fuel cycle program. While both the fuel cycle program and the breeder base program share similar objectives, they are programmatically very different, which is why I would like you to present your thoughts on this matter.

Answer: The Base Breeder Reactor Technology program and the Nuclear Fuel Cycle program share similar objectives and thus it was deemed appropriate to combine the two accounts. It is believed that such a combination will result in a more effective utilization of resources to address cost-competitive reactor concepts, including the overall fuel cycle. The close interrelationship of activities in each area dictate cooperation between the participants to insure that the activities are focused on the technology development of an integrated breeder reactor cycle, including fuel fabrication, reactor operations, and reprocessing.

QUESTIONS FROM SENATOR DOMENICI

Question 14: In the FY 85 budget, the base breeder technology program is reduced from $117 million in FY 84 to $85 million in FY 85. It appears as if this 27% reduction in the program will have dramatic impact on the infrastructure that supports the base breeder program. Please provide additional detail as to the impact of these reductions on program content and on the staffing at the national laboratories.

Answer: The operating budget for the total LMFBR program, exclusive of funds provided for the termination of the Clinch River Breeder Reactor Project, has been reduced from $264 million in FY 1984 to $237 million in FY 1985, a reduction of only about 10 percent, rather than 27 percent as indicated in the question. The reductions that have been made result primarily from a consolidation of technology research and development efforts and adjustments to the pace of various program activities; the phase out or termination of activities that supported the Clinch River Breeder Reactor Plant and the projected large scale development plant; and the completion of major construction activities (such as TREAT Upgrade, FMEF, and ETEC Facility Modifications) and their subsequent transition to routine operational status. All of the foregoing factors decrease the need for design, construction, engineering, and support activities in the base breeder program. The Department believes that these reductions can be managed in such a way that the program infrastructure--personnel and facilities--will be adequate to support the restructured breeder effort.

The impact of these project consolidations and completions and their associated funding reductions on the staffing levels of the national laboratories will vary by the amount of effort at each laboratory that was directed towards these activities. The specific impact at the three principal Breeder Base Technology field activities is as follows:

a. The Operating Expense budget proposed for the Argonne National Laboratory (ANL) in FY 1985 is $69.8 million; in FY 1984, the budget was $74.9 million. The reduction is principally in funds that "pass through" ANL to various contractors, and thus the impact on ANL itself will be minimal. In this regard, the proposed budget for expenses associated with the operation and maintenance of the test facilities at the Argonne-West site will actually increase slightly (from $37.9 million in FY 1984 to $38.3 million in FY 1985).

b. At the Energy Technology Engineering Center, a reduction in employment of about seven persons will be required by the FY 1985 Operating Expense budget proposed in the President's Budget. The Operating Expense budget for FY 1984 was $22.0 million, and the budget proposed for FY 1985 is $21.8 million--a reduction of about 1 percent.

c. The FY 1985 Operating Expense budget proposed for the Hanford Engineering Development Laboratory will require a

reduction in employment of between 200 and 300 persons. This reduction follows a reduction of about 150 persons necessitated by the FY 1984 budget.

The Department believes that the foregoing changes in staffing will have no significant impact on the capability of the test sites or of the National Laboratories to operate the facilities in support of the breeder base technology program. The impact on the Los Alamos National Laboratory ($1.2 million or 13 percent) and the Oak Ridge National Laboratory ($1.3 million or 14 percent) are likewise judged to have no significant impact on the ability of these laboratories to support the revised breeder technology program.

QUESTIONS FROM SENATOR WEICKER

CONSERVATION

Question 15: Under the Department of Energy's new regulations for the low-income weatherization program, certain furnace retrofit or improvement measures will be permitted. Are such measures to be made available to houses which have already received an initial weatherization assistance?

Answer: No. DOE has weatherized more than one million homes since its program began. However, about 12 million eligible units have not yet received any assistance. DOE believes it would be unwise to provide additional service to large numbers of completed units before providing any service at all to other eligible units.

QUESTIONS FROM SENATOR WEICKER

CONSERVATION

Question 16: As part of the Department of Energy's program evaluation of the low-income weatherization program, a study is being conducted of fuel usage before and after the weatherization of a house. When do you expect the results of this study to be available?

Answer: The bulk of the data collection and analysis for the before and after survey has been completed. We expect to have a final report available within the next few months. We will be happy to provide you with a copy of it at that time.

QUESTIONS FROM SENATOR WEIKER

Question 17: How soon do you expect to fill the vacant position of Assistant Secretary, Conservation and Renewable Energy?

Answer: Although I presently cannot give a specific date for completion of the selection process, it is my intention to make a final recommendation to the President within the relatively near future.

QUESTIONS FROM SENATOR WEICKER

CONSERVATION R&D BY THE PRIVATE SECTOR

Question 18: In response to a question raised during the 1983 oversight hearings, then-Assistant Secretary Tribble stated that, "The Department will conduct an inquiry to attempt to determine the current level of conservation by the private sector, including examination of data collected by the National Science Foundation." Has this study been completed, and if so, would you make it available?

Answer: The study has not been completed. The researcher encountered considerable difficulty in acquiring the necessary data. However, the information that has been examined, including that gathered by the National Science Foundation and a number of other organizations, indicates that precise, quantifiable data is not readily available on the actual expenditures by private companies for conservation R&D. Despite the lack of precise data, the general information available seems to indicate that a substantial amount of R&D is supported by the private sector and that the level probably significantly exceeds Federal expenditures in this area.

QUESTIONS SUBMITTED BY SENATOR WEICKER

Question 19: Last year at this time, the Department confirmed that 80% of the eligible schools and 78% of the eligible hospitals had not received energy audits through DOE's institutional buildings program. What are the comparable figures now? What percent of these buildings have received funding for the 'energy conservation measures' phase of the program?

Answer: FY 1980 was the last fiscal year in which appropriations for energy audits were provided. Therefore, the percentages of the last year remain unchanged.

Through FY 1983, 6% of the schools and 13% of the hospitals received funding for technical assistance analysis (engineering analysis). 5% of the schools and 17% of the hospitals received funding for energy conservation measures.

QUESTIONS FROM SENATOR WEICKER

DISTRICT HEATING/COOLING ASSESSMENT

Question 20: Last year the Department completed its district heating/cooling assessment program. What steps are being taken to ensure that communities are aware of the results of this study? What steps might the Federal government undertake to expand and/or accelerate the use of district heating/cooling?

Answer: The Department will hold six workshops in selected parts of the country to ensure that communities are aware of the results of the study. In addition, the study results will be disseminated through the International District Heating Association, North American District Heating and Cooling Institute, the U.S. Conference of Mayors, the Department of Housing and Urban Development and the American Society of Heating, Refrigerating and Air-Conditioning Engineers.

As part of the FY 1985 budget request, DOE proposes various activities to expand and accelerate the use of district heating and cooling. These activities include research to reduce district heating and cooling construction costs and to improve the energy efficiency of district heating and cooling systems. In addition, DOE proposes to continue efforts to develop analytical tools that can be easily and inexpensively used by community planners, energy systems designers and others in assessing the applicability of district heating and cooling to specific sites.

QUESTIONS FROM SENATOR WEICKER

Question 21: With respect to the Schools and Hospitals program, your budget request notes the need for projects to remove regulatory barriers to energy conservation. Which barriers? What 'projects' does the Department have in mind?

Answer: The Department has planned or has underway several projects to remove regulatory or other barriers to energy conservation. A joint effort with the Department of Health and Human Services (HHS) to revise the HHS "Minimum Requirements of Construction and Equipment for Hospital and Medical Facilities" was completed last year. The revisions contained a number of energy conservation items. The Department now has underway a joint effort with the American Hospital Association to evaluate the effects of selected revisions in 6 test hospitals and to disseminate the results to the hospital sector.

QUESTIONS FROM SENATOR WEICKER

PACIFIC NORTHWEST - PACIFIC SOUTHWEST LINKAGE

QUESTION 22 : The GAO has recommended better electrical transmission linkage between the Pacific Northwest's very cheap hydropower and the Pacific Southwest. Such a linkage would displace current oil and natural gas consumption. Will the Department encourage and help formulate such a linkage agreement?

ANSWER: Yes. The Department believes that such a linkage would be beneficial to these two regions and the Nation as a whole. Two of the Department's power marketing administrations, Bonneville Power Administration and Western Area Power Administration, in concert with utilities in the Pacific Northwest and Pacific Southwest, are studying various alternatives for increased electric transmission capacity. An expansion of the existing DC terminals, a second DC line, a third DC line, and an Inland Intertie (AC or DC) are being studied separately and in combination.

QUESTIONS FROM SENATOR WEICKER

Question 23: The Grace Commission made numerous recommendations with respect to potential cost reductions, cost avoidance, revenue enhancement and revenue acceleration within the Department of Energy.

A) Which, if any, of these recommendations have you acted upon to date? What will be the budgetary impact?

B) Which, if any, of these recommendations do you expect to institute during calendar year 1984? What do you anticipate the budgetary effect to be?

C) Other than those recommendations which require Congressional action, what actions suggested by the Grace Commission do you feel are not possible to institute?

Answer: The Department of Energy has begun action on many of the recommendations of the Grace Commission, and has fully implemented several of them. The implementation actions reflected in the management initiatives savings in the fiscal year 1985 budget include improved organization structure and staffing patterns, more effective use of GOCO and other contractor resources, increased use of private contractors, improved ADP utilization, and increased audit coverage by the Inspector General. The budget contains savings of $60.6 million and 330 full time equivalent staff years in fiscal year 1985 based on these implementation actions.

These same initiatives, with the exception of the revisions in GOCO contractor management, will be implemented in fiscal year 1984. The savings from these actions in 1984 will be $13.5 million and 120 full time equivalent staff years.

Almost all of the major categorical recommendations of the Grace Commission include a wide variety of specific recommendations. While we agree with the thrust and practicality of most of the major recommendations, there are certainly some of the individual specific recommendations which we do not propose to institute, either because we do not consider it desirable or because the recommendation has been overtaken by events. Many of the specific recommendations we do not plan to institute deal with the internal organization of DOE; for example, having the Controller report to the Deputy Secretary; the structure of our headquarter management support staffs; and making major changes in management relationships among our Assistant Secretaries, field offices, and National Laboratories. These matters have been examined before within DOE and I am satisfied that our efficiency and effectiveness would not be improved by such actions. Other specific recommendations have been overtaken by events; for example, a substantial amount of the savings identified in the recommendations on the Strategic Petroleum Reserve result from a slower fill rate. Even before the Grace Commission draft report was available, the Administration and the Congress had mutually agreed to a lower fill rate.

QUESTIONS FROM SENATOR WEICKER

ENERGY INFORMATION

Question 24: It is clear from Section 205(d) of the Department of Energy Organization Act that Congress intended that the Administrator of the Energy Information Administration be independent and free from policy or political influence. Are you satisfied that this independence is being observed?

Answer: Yes. The Energy Information Administration is not required to obtain Department of Energy concurrence at any time during the operation of their programs from the collection of data through report publication. EIA participation in DOE programs is governed by its independence from the energy policy formulation and advocacy functions of the Department, and Departmental policies and procedures reflect that independence. Further, DOE input into EIA draft reports occurs at the technical level and only at EIA's initiative.

QUESTIONS FROM SENATOR WEICKER

ENERGY INFORMATION

Question 25: What is the status of the following 2 EIA publications: "Sales of Fuel Oil and Kerosene" and "Sales of Liquefied Petroleum Gases"?

Answer: The annual report, "Sales of Fuel Oil and Kerosene," has been suspended for the 1983 collection cycle to allow the Energy Information Administration to make much-needed quality improvements. An analysis of the data revealed significant deterioration of the survey respondent frame had occurred since 1979, when it was last updated. This deterioration has caused serious flaws in the resultant data, forcing discontinuation of the existing program. The revised survey will be instituted for the 1984 report year.

The annual survey, "Sales of Liquefied Petroleum Gases", was discontinued following publication of data for 1982. Resources have been devoted to improvement and operation of monthly natural gas liquids supply information, considered more useful than the annual liquefied petroleum gases sales data.

QUESTIONS FROM SENATOR WEICKER

ENERGY INFORMATION

Question 26: During the Energy Information Administration (EIA) oversight hearings last year, EIA submitted to the Committee a list of quality maintenance investments required to ensure the continued quality of EIA's data. These investments came to a total of $5.1 million. After two years of no investment whatever in quality maintenance, your budget proposes $2.0 million for this activity. Are you personally confident that foregoing the additional $3.1 million will not affect the quality of EIA's data?

Answer: The Congress added $1 million to EIA's FY 1984 request for the specific purpose of conducting quality maintenance investment activities. EIA is using these funds to address its highest priority quality maintenance projects. The FY 1985 request for the EIA contains $3 million for additional quality maintenance investments; bringing the two year total to $4 million. While additional projects may have merit, I am informed by the EIA that they can be deferred without posing a serious threat to the quality of EIA's information products.

QUESTIONS SUBMITTED BY SENATOR WEICKER

QUESTION 27: Last year there was a substantial reprogramming of EIA funds due to inaccurate assumptions by the Office of Management and Administration. Evidently, another reprogramming of EIA funds will be necessary this year and for the same reason. Has the Office of Management and Administration undertaken studies of other elements of the Department to see if changed personnel levels require reprogramming elsewhere in the Department?

ANSWER: The Department has not determined that any reprogrammings will be required to satisfy administrative support costs in FY 1984. Historically, this problem has rarely occurred elsewhere in the Department where administrative support costs have been more accurately forecast.

QUESTIONS FROM SENATOR WEICKER

ENERGY CONSERVATION GRANTS

Question 28: Evidently, the Department intends to propose that the State and local energy conservation grants program be funded through a petroleum overcharge fund. And yet although no such legislative proposal has been submitted to Congress your budget also clearly states that: "The request for appropriation for these two programs is contingent on enactment of this legislation".

Would you cite other Departmental programs whose funding was made contingent upon enactment of new legislation subsequent to Congress having authorized such programs?

Answer: When funding for a program is entirely dependent upon enactment of additional authorizing legislation, that funding is identified in the budget as being contingent upon enactment of new legislation. This is the normal procedure that is used throughout the President's budget to facilitate Congressional identification and review of the legislative proposals assumed in the budget. This procedure is a service to the Congress.

Besides the programs to be funded as a result of the petroleum overcharge restitution legislation, there are no other Departmental programs whose funding in FY 1985 is made contingent upon enactment of new legislation. Funding in prior years, however, has been made contingent upon enactment of new legislation, such as funding for the Nuclear Waste Disposal Fund as requested two years ago in the President's budget for FY 1983. Other budget initiatives, based on legislative initiatives, have been included in budgets for previous years.

While these initiatives have often been for new programs, they also apply to the restructuring or continuation of existing programs if the funding request is tied directly to, and made dependent upon, enactment of new authorizing legislation.

The FY 1985 budget, however, does assume the enactment of new legislation in two areas. First, we are proposing to eliminate the mandatory personnel floors provided in existing law for the Office of the Assistant Secretary for Fossil Energy, the Office of the Assistant Secretary for Conservation and Renewable Energy, the Energy Information Administration, and the Economic Regulatory Administration. As a consequence, the budget requests funding to support projected workload requirements for these offices rather than funding to meet the floors. Second, the budget estimates that the Federal Energy Regulatory Commission (FERC) will collect $60 million in fees, annual charges, and other revenues to offset the costs of operating the agency. This estimate assumes that $9 million will be collected upon the enactment of legislation transmitted to the Congress in March 1983 to supplement FERC's authority to assess and collect annual charges and user fees for the purpose of reimbursing the United States for regulatory costs not otherwise recovered under existing law.

QUESTIONS FOR SENATOR WEICKER
ENERGY CONSERVATION

Question 29: During his confirmation hearing in July, 1983 Undersecretary Collins stated:

> "No matter how much we spend on Federal research and development projects, many of them may not be utilized unless we can be confident that there are effective systems for the transfer of the technology made available by the Federal efforts. I am quite alarmed when I hear, as I have, that at least portions of the private sector, particularly small enterprises, simply do not know about the results of the Federal effort or even how to go about obtaining the information...I am determined to make a major effort in this regard."

For FY'85 the DOE budget proposes no funding for the Energy Extension Service (EES). As you know, the principle purpose of the EES is; "(a) Establish a positive energy outreach program directed toward small businesses and individual energy users and the organizations that influence their energy consumption."

Yes, while EES has been proposed for no funding in FY'85, DOE has proposed fairly significant increase in technology transfer phases of many of the conservation R&D programs. Unhappily, by the Administration's definition, such R&D programs are only for "high risk, long-term" investments, therefore logically these are R&D undertakings of little or no immediate consequence to the small business enterprise. Thus, it appears that there is some conflict between Undersecretary Collins' earlier confirmation hearing statement and the reality of your budget proposal. Why has the DOE lost interest in attempting to put energy conservation information in the hands of the small business? Might it not make sense to consolidate the present EES and your various technology transfer programs into one organization dedicated to effectively communicating and marketing energy conservation data?

Answer: The Department's technology transfer initiative has a high priority. We are reviewing methods of information transfer and developing options to increase the capability of the market to support development and availability of credible, accurate information on costs and benefits of energy efficient technologies and techniques. The Energy Extension Service is one of the several alternative vehicles that can be used to assist in the transfer of this information to specific users.

The FY 1985 budget does not contain funding for the Energy Extension Service because we believe it is a State responsibility to fund and operate such a service. The role of the Department's conservation and renewable programs will be to make available the information resulting from Federal R&D efforts to appropriate technology transfer agents or mechanisms which include State and local governments. The Department prefers to devote funds transferred to the States to programs which directly conserve energy through the installation of energy conservation equipment and supplies, thus enabling those recipients to improve their energy efficiency.

Questions Submitted by Senator Warner

Question #30: I am concerned by the reduction in the Department of Energy's Coal Waste Management budget. Could you please explain the basis for this reduction and what activities will be discontinued as a result of the funding cut?

Answer: The FY 1985 budget request of $2,000,000 for waste management will provide for research efforts in the areas of waste sampling, characterization and disposal. We believe that the Control Technology and Coal Preparation activity provides for a balanced research program in the areas of coal cleaning, flue gas cleanup, gas stream cleanup and waste management. The waste management efforts have been directed toward developing technologies for the disposal of fossil fuel cycle wastes in an environmentally acceptable manner with little or no negative economic impact to the fossil fuel using sectors. No activities will be discontinued and the FY 1985 budget request will provide for continuation of sampling and characterization of organics and inorganics in the fossil-fuel related wastes and development of waste disposal techniques initiated in FY 1984.

35-235 O - 84 - 42

Questions Submitted by Senator Warner

Question #31: I support an aggressive R&D program for coal-to-liquid fuel conversion. Your '85 budget request reduces funds for coal liquefaction by 52%. Can you explain the basis of this dramatic decrease?

Answer: The reductions to the FY 1985 Coal Liquefaction budget are primarily due to the completion of a number of large scale process development and pilot plant projects. In addition, although Coal Liquefaction ultimately will likely be an important technical option to enhance U.S. domestic supply of liquid fuels, it is generally agreed that the significant use of this option will probably not occur before the turn of the century. Therefore, the research program has been refocused on longer range, laboratory scale projects aimed at providing a technology data base for industry.

Questions Submitted by Senator Warner

Question #32: The Control Technology and Coal Preparation line item is up 23% for 1985. I interpret this as a step in the right direction for increasing our coal consumption and putting our miners back to work. Would you please give us a brief summary of the present and new work that will be accomplished with this added money?

Answer: A sound technology base in the interdependent technologies of coal cleaning, gas cleaning and waste disposal is essential to achieve the highest degree of cost effectiveness in the expanding utilization of United States coals. The potential for these advanced technologies to reduce sulfur and nitrogen oxide emissions which some scientists believe to be acid rain precursors has resulted in increased emphasis in the FY 1985 budget request. A summary of the research to be continued and the new efforts is as follows:

- o Coal Preparation

  Expanded efforts on development and testing of advanced physical coal cleaning systems capable of significantly improved pyritic sulfur removal; expanded efforts on novel techniques for organic sulfur removal; continued efforts on coal microcharacterization and ancillary operations such as fine grinding and dewatering.

- o Flue Gas Cleanup

  Conduct acid rain precursor control technology initiative and continue combined NO_x/SO_x chemistry research and process development.

- Gas Stream Cleanup

  Continue PFBC particulate removal tests on coal-fired gas streams and evaluate hot desulfurization processes for fuel cell applications and combined cycle gasification systems.

- Waste Management

  Continue sampling and characterization of coal use wastes and evaluate economically and environmentally acceptable disposal technologies.

QUESTIONS FROM SENATOR WARNER

NUCLEAR PHYSICS

Question 33: I commend you for including in your FY 1985 budget request support for a 4 GeV Continuous Electron Beam Accelerator Facility (CEBAF) to be developed by the Southeastern Universities Research Association (SURA) in Newport News, Virginia.

In FY 1985, $5 million is requested for research and development and $2 million to initiate construction. This will supplement the $2 million in research and development for FY 1984, which I hope the Department of Energy will be releasing shortly.

I think this Federal commitment is particularly significant in light of the reluctance to fund new projects because of Federal budgetary constraints. The commitment to CEBAF is a reflection of the high quality of the proposal and the importance the scientific community attaches to the project.

The SURA proposal was selected after an extensive peer review. A December 1983 report by the Department of Energy/National Science Foundation Nuclear Science Advisory Committee entitled "A Long Range Plan for Nuclear Science" echoes this strong peer support for CEBAF. Let me quote briefly from the report:

> "The new 4 GeV electron facility is clearly the major near-term new initiative in nuclear physics. Its completion is eagerly awaited by our community. We reaffirm our earlier recommendation for the earliest possible start on the construction of a national electron accelerator laboratory."

SURA requested $12 million for FY 1985 construction as opposed to the $2 million recommended by the Administration. I am closely examining the construction request to determine the amount that is essential to maintain reasonable progress with the CEBAF project. I hope you will work with me and the Appropriations Committee to make certain that the project stays on schedule?

Answer: First, let me give you a status report on the $2 million which we hope to provide in FY 1984 for initial research and development on this project. These funds have been identified within our Nuclear Physics program, and approval for reprogramming to R&D for the CEBAF facility was requested in the Department's February 9, 1984 letter to the appropriate committees of the Congress.

Regarding FY 1985, as you note, a total of $7 million is requested, $5 million for research and development and $2 million for construction. The construction funds will be used for architectural and engineering work, and for design beyond the conceptual level in order to establish a reliable cost estimate and schedule for the project.

While we share the desire that this important nuclear research facility be designed and built on a good time schedule, I believe that it is important that the detailed design and required build-up of effort be accomplished before making large expenditures for construction. We believe the funds requested in the FY 1985 budget are appropriate for this purpose.

Questions Submitted by Senator Warner

Question #34: I applaud the President for proposing increased funding for environmental control in his budget submission to Congress. As a representative of the 6th largest coal producing state in the nation, I strongly support the increased use of America's greatest natural resource - coal. However, I am cognizant that this resource must be utilized in the most environmentally responsible manner possible.

The President, in his State of the Union message, outlined efforts the Administration is undertaking to study the effects of increased coal consumption. Please detail for this Committee what your Department is doing to comply with the President's directive on acid rain research and control.

Answer: Significant increases in acid rain related research are being proposed for DOE in FY 1985 as reported. DOE participation in the Interagency Task Force on Acid Precipitation (ITFAP), for example, is proposed to increase from $3.2 million in FY 1984 to $8.7 million in FY 1985. These increases are included not only in the Fossil Energy program but also in the Energy Research and the Emergency Preparedness program. Within the Fossil Energy program acid rain related increases are proposed for the Advanced Research and Technology Development program (AR&TD) under which the ITFAP work is conducted and also in the Coal Technology/Coal Preparation program (CTCP) and the Combustion Systems program. A breakdown of the increases in these programs is as follows:

	$ in Thousands FY 1984	FY 1985 (Proposed)
Office of Fossil Energy		
o CTCP		
Flue Gas Cleanup	8,100	14,025
Gas Stream Cleanup	7,000	4,975
Waste Management	2,900	2,000
Coal Preparation	8,000	11,150
Subtotal	26,000	32,150
o AR&TD		
Environmental Activities (ITFAP)	260	750

	$ in Thousands FY 1984	FY 1985 (Proposed)
Office of Fossil Energy (cont'd)		
o Combustion Systems		
AFB Combustion	1,400	2,500
AFB Demo (TVA)	—	15,000
PFB Combustion	7,500	5,000
Advanced Combustion Technologies	1,700	2,000
Subtotal	10,600	24,500
FE TOTAL	36,860	57,400
Office of Energy Research/ Office of Policy, Safety and Environment (Atmospheric sciences, research assignments, other scientific activities	3,250	8,660
DOE TOTAL	40,110	66,060

QUESTIONS FROM SENATOR WARNER

Question 35: In the past, DOE has concentrated its R&D funds on those technologies it felt private industries would not pursue because of potentially higher risk or long-term paybacks. In light of the FY 85 $15 million appropriation for the TVA atmospheric fluidized bed project, has there been any change in the DOE's philosophy on demonstration projects?

Under what conditions might industry expect help when it comes to introducing a new technology to the marketplace as opposed to R&D?

Answer: The Department's philosophy on sponsoring demonstration projects is, essentially, unchanged. DOE still believes that the Federal government should concentrate on the early stages of technology development, i.e., basic and applied research and "proof-of-concept" development rather than on technology demonstration projects. The Administration's FY 1985 Budget, recently submitted to Congress, includes $15 million for FY 1985 that was provided as an advance appropriation in the FY 1984 Interior and Related Agencies Appropriations Act, to support the startup and operation of the joint TVA/EPRI atmospheric fluidized bed (AFB) project. DOE will work closely with the participants in the development and preparation of research, startup and operational test plans in order to verify economics, environmental and performance data. DOE is designing its participation in the TVA/EPRI AFB project to achieve R&D objectives that are consistent with its philosophy.

These objectives include acquiring additional information on the potential applicability of the technology to acid rain control and as an environmentally acceptable energy alternative, and acquiring extensive information at low Federal cost due to the extensive cost-sharing provided by the private sector for this project.

In addition to the Department's assistance to the private sector in carrying out basic and applied research and "proof-of-concept" development, DOE helps industry introduce new technologies to the marketplace in three ways:

- DOE facilitates the prompt, effective transfer of the technological results of DOE's research from the Federal government to the private sector;
- DOE acts to reduce or eliminate energy regulations that impede the introduction of new energy technologies to the marketplace by the private sector; and
- DOE carries out the research and development of technical processes that enhance or improve the Nation's environment, health and safety.

QUESTIONS FROM SENATOR WARNER

RESIDENTIAL CONSERVATION SERVICE

Question 36. Mr. Secretary, I note with interest the inclusion of money for the administration of the Residential Conservation Service Program and the Federal Standby Program. As you know, Virginia specifically chose not to implement RCS under a state plan because it found the program overly burdensome and costly. I understand that at least seven states other than Virginia also have not submitted state plans. My understanding of the law is that these states will be forced to implement this program this year under the federal standby authority. Preliminary analysis indicates this program could cost Virginia consumers close to $5 million in added utility costs to implement.

a) I understand that the Regulatory Relief Task Force, headed by Vice President Bush, recommended the repeal of RCS and that the DOE supported that recommendation. In fact, my information is that the Department of Energy requested zero appropriations for RCS in FY 82, 83 and 84. Does the inclusion of $1.3 million in this year's budget indicate a change in philosophy? Does the DOE support repeal of RCS?

b) I understand that DOE has completed an evaluation of RCS based on the experience of those states which have implemented the program. Would you provide this Committee a summary of that evaluation to be submitted for the record on these hearings?

c) A related program, the Commercial and Apartment Conservation Service Program (CACS) is also slated for implementation this year. What is the DOE's position on moving forward with implementation of CACS?

Answer: a) The Department has included $1.3 million in the FY 1985 budget in order to carry out in good faith the program required by the legislation. The Department has found that the RCS Program includes some overly burdensome and restrictive provisions and is not likely to have a significant impact on lower income utility customers. Because of these and other considerations, the Department opposes the continuation of the RCS Program in its present form.

b) A copy of the Residential Conservation Service Evaluation Report published January 19, 1984, is enclosed.

c) The Department is continuing the implementation of the CACS Program in accordance with the existing statute. The final CACS regulations were published on October 26, 1983, and the State and utility CACS implementation plans are due to the Department by June 4, 1984.

Attachment: Question 36
QUESTIONS FROM SENATOR WARNER
RESIDENTIAL CONSERVATION SERVICE

RESIDENTIAL CONSERVATION SERVICE

EVALUATION REPORT

January 19, 1984

U.S. Department of Energy

TABLE OF CONTENTS

FOREWORD i

1.0 INTRODUCTION 1-1

1.1 Background
1.2 Program Evaluation Plan

1.2.1 Approach
1.2.2 Limitations of the Data and Methodology

2.0 RCS REQUIREMENTS AND CONTEXT 2-1

2.1 Program Requirements
2.2 RCS in Context

2.2.1 Pre-RCS Conservation Activities
2.2.2 Non-RCS Residential Conservation Programs

3.0 RCS STATUS 3-1

4.0 RCS PROGRAM EFFECTIVENESS 4-1

4.1 Adoption Rates for Conservation Measures
4.2 Conservation Investment and Energy Savings
4.3 Cost-Effectiveness
4.4 Program Element Effectiveness

4.4.1 Audit and Auditor Quality
4.4.2 Quality Assurance
4.4.3 Program Administration and Implementation
4.4.4 Effectiveness of Individual Program Elements

4.5 Qualitative Assessment of Features Added to RCS

5.0 UTILITY PERSPECTIVE 5-1

5.1 Strategic Issues
5.2 Tactical Issues

6.0 OTHER PERSPECTIVES 6-1

6.1 The State Regulatory/State Energy Office
6.2 The Consumer
6.3 The Home Energy Retrofit Contractor

7.0 CONCLUSIONS 7-1

7.1 Positive Results of the RCS Program
7.2 Shortcomings in RCS Program Performance
7.3 Overall

FOREWORD

The RCS Evaluation Report presents the results of an assessment of the performance of the Department of Energy's Residential Conservation Service (RCS) Program that was conducted by DOE during 1983. The purpose of this evaluation is to assess the effectiveness of the Program in encouraging the installation of energy conservation measures in existing homes. First legislated in 1978, RCS is now being implemented by large utilities in most states.

The RCS Evaluation Report is a summary of the results of several related RCS analyses, prepared by contractors. The analyses and their authors are as follows:

- 1983 RCS Evaluation Highlights: Cost-Benefit Evaluation of the Residential Conservation Service Program, Prepared by Centaur Associates, Inc., December 9, 1983.
- Statistical Analysis of Energy Conservation Trends Using the Annual Housing Survey, Prepared by Energy & Environmental Analysis, Inc., October 21, 1983.
- The RCS Program: Status of States and States' Utilities, Prepared by DHR, Incorporated, August 1983.
- National Costs and Benefits of the RCS Program, Prepared by DHR, Incorporated, November 1983.
- The Impact of the Residential Conservation Service Program on Natural Gas and Electric Utilities, Prepared by Synergic Resources Corporation, December 15, 1983.
- Synergic Resources Corporation also prepared a series of Working Papers on 17 different utilities and their conservation programs, with emphasis on RCS and other, similar programs.

The companion program to RCS, the Commercial and Apartment Conservation Service (CACS), recently began operation, and no data are yet available on its effectiveness in promoting conservation investments in commercial buildings and large multifamily dwellings. For the above reason, this Evaluation Report deals exclusively with the RCS Program.

The RCS Evaluation Report also serves as supporting documentation for DOE's study, Analysis of Options for RCS and CACS. The Analysis of Options, by building on the results of the RCS evaluation and additional research, develops and assesses the merits of several detailed alternatives for the future direction of the RCS and CACS Programs.

1.0 INTRODUCTION

1.1 Background

The Residential Conservation Service (RCS) Program was developed with the objective of encouraging the installation of energy conservation and renewable energy resource measures in existing homes, and thereby reduce the growth in demand for energy in the United States and conserve non-renewable energy sources.

The Program was conceived in the 1970s, during a period of rapidly rising energy prices with perceptions of continued increases and shortages of critical fuels. By the time the Program was implemented in 1980 most energy prices had stabilized and the U.S. was in the midst of a recession. At present, there are oil, gas and electricity surpluses, and some energy prices have actually fallen. As the RCS Program has now been in operation several years, it is appropriate to review the performance of the RCS Program - its impact, strengths and weaknesses.

The RCS Program is based on the view that utility companies, while performing their critical role of providing energy services to their customers, have contact with almost every existing residential energy user, possess expertise in energy issues, experience the current marginal cost of new energy supplies, and have a vested interest in the impact of energy prices and customer behavior on their own operations. In essence, utilities were seen as being well qualified to provide RCS services while the cost of implementing the Program was viewed as a small part of utility revenues and expenses. Further, in many instances util-ities were intended to be one group of beneficiaries of the Program through reduced need for expensive new capacity.

1.2 Program Evaluation Plan

1.2.1 Approach

In February of 1983, the Assistant Secretary for Conservation and Renewable Energy (AS/CE) approved a plan to complete an impact evaluation of the RCS Program. The effort was intended to integrate the results of numerous evaluations which began in 1980, and focused primarily upon the the energy savings, impacts, and costs and benefits of the RCS Program.

35-235 O - 84 - 43

The work consisted of five major tasks:

(1) Collect descriptive data on the RCS Program.

(2) Review state and utility evaluations.

(3) Review RCS related research and performance of related conservation programs.

(4) Based on information from tasks (2) and (3) conduct an in-depth assessment of evaluations in ten states: Michigan, Connecticut, Minnesota, California, Florida, Colorado, Vermont, Oregon, Massachusetts and Wisconsin.

(5) Determine how the energy savings from the RCS Program can meet utility needs in the areas of load profile, fuel use, generating capacity and customer relations of individual utilities.

This document is a summary of the work conducted under these tasks by DOE, with the assistance of contractors. Because the Commercial and Apartment Conservation Service (CACS) is just beginning operation, its performance is not addressed in this evaluation.

1.2.2 Limitations of the Data and Methodology

The evaluations of RCS energy savings and performance are based on quantitative evaluations performed in ten states and completed by early 1983. Up to that time, these ten states accounted for 73% of all audits performed nationally, 70% of reported utility expenses incurred, and 46% of all reported state expenses. Although these states have very active RCS Programs and had sought to evaluate their Programs, differences in collection and analysis procedures at the state and utility levels made comparisons and aggregations difficult.

Among the difficulties encountered are (1) lack of comparability between engineering estimates of energy savings and actual savings from bill data, especially as homeowners may change behavior (e.g., raise thermostat settings) after energy conservation investments are made; (2) possible inaccuracies in self-reporting of practices adopted and measures installed (including their cost); (3) uncertainty as to control groups adequately "controlling" for all differences associated with RCS Program participants and non-participants; (4) inability to measure long-term (multi-year) residential energy conservation investments

shifts or the "multiplier" value of audit information to non-participants; (5) limitations in the ability to measure or quantify the value of RCS in spurring other energy conservation activities, reorienting utility priorities and enhancing other national goals, including security, resource husbandry, and environmental protection; and (6) difficulty of estimating the current or future value of energy saved.

Attempts were made to reconcile differences in data quality, as well as gaps in the available data, through statistical techniques such as using weighted averages to develop surrogates for missing data points, but many of the difficulties described above are inherent limitations in the analysis.

2.0 RCS REQUIREMENTS AND CONTEXT

2.1 Program Requirements

The RCS Program was authorized by Title II of the National Energy Conservation Policy Act (NECPA) (P.L. 95-619, 92 Stat 3206 et seq), enacted by Congress in November of 1978. Title II is highly prescriptive in outlining the RCS Program, as are the RCS regulations first promulgated in November of 1979, and to a lesser extent the 1980, 1981, and 1982 regulatory revisions. Congress and DOE were attempting to respond to a number of issues raised by the Program, including anticipated utility compliance problems, climatic diversity, introduction of new conservation technology, and protection of the consumer and small business. These concerns were addressed through highly specific Program requirements as outlined below.

- The concern of the Congress that utilities actively participate in RCS led to requirements that were precisely spelled out in the legislation, including:
  - -- Program announcements, the first of which was to be issued by January 1, 1980, (or six months after State Plan approval by DOE) and every two years thereafter until January 1, 1985;
  - -- mandatory on-site energy audits addressing both conservation and renewable resource measures applicable in a customer's home and containing specific cost and energy savings estimates for each applicable program measure;
  - -- distribution of state-compiled lists of local suppliers and installers of conservation and solar products, and sources of financial assistance;
  - -- assistance in arranging for installation or financing of conservation measures; and
  - -- civil penalties for noncompliance with certain sections of RCS regulations with fines up to $25,000 per day.
- Congress wanted the RCS regulations to be specific to climatic regions and building types throughout the Nation but found

that this could only be achieved with a standardized "lowest common denominator" (uniform standards and procedures) approach.

- Because residential energy auditing was not yet a widespread activity, specific audit procedures were incorporated into the law and later expanded in the regulations by DOE.
- To address a concern that utilities, in providing conservation services, might unfairly interfere with small business activities in that area, NECPA specified that utilities are prohibited from directly supplying or installing most conservation or renewable resource measures and from discriminating among suppliers and installers of conservation equipment and services. Further, state plans must specify procedures for resolving complaints involving alleged unfair discrimination against contractors and suppliers of conservation services.
- In addition, the RCS regulations specified that utilities may not use the audit to make recommendations for fuel switching unless they explicitly are requested to do so by the customer.
- DOE also sought to meet the concerns expressed by consumer groups by prohibiting utilities from discriminating among residential customers, and by requiring state plans to offer opportunities for redress to those with alleged injuries resulting from the Program.
- DOE wished to promote new conservation technologies in the marketplace as quickly as possible. However, performance data and construction standards were not yet established for some technologies, such as wind machines, foam wall insulation, and vent dampers. Therefore, DOE, by including these as conservation measures in the RCS regulations, was obligated to also include requirements that states institute product standards and that post-installation inspections be conducted. Applicability criteria were added to RCS regulations to provide convenient

rules-of-thumb for utilities to audit for some of these as-yet largely unfamiliar technologies. These provisions, in many instances, went beyond the ability to be administered within the RCS Program, and many were eliminated when the revised Program regulations were issued on June 25, 1982.

2.2 RCS In Context

2.2.1 Pre-RCS Conservation Activities

When energy prices rose dramatically between 1973 and 1980, especially for oil, residential sector responses included major investments in conservation. A recent analysis of the Annual Housing Survey and Residential Energy Consumption Survey makes a number of observations that touch on energy conservation investments to date and residential building sector conservation potential.

- Over 21 million single-family homes have made conservation investments in storm windows, attic insulation or wall insulation between 1977 and 1980.
- Households filing for the federal conservation tax credit in 1980 reported investments in conservation totalling $3.2 billion, with the average investment per household being almost $700.
- More than 28 million single-family homes in 1980 lacked one or more key conservation features such as storm windows, attic insulation, or wall insulation.
- Single-family units that heat with fuel oil were much less likely in 1980 to be missing key conservation features than homes heated with natural gas.
- Over 12 million gas-heated single-family homes lack storm windows. More than seven million have no wall insulation, and five million lack attic insulation. However, the cost-effectiveness of such improvements is uncertain in these homes because many are located in the South.
- The greatest rate of conservation activity was found in high income, owner-occupied, single-family households in the Northwest and North Central regions that heat with fuel oil.

- Multi-family housing (27% of the housing stock) lags significantly behind single-family dwellings in all types of conservation investments.
- Conservation investment was low for families with low incomes, who rent their homes, or who live in units located in very mild climates.
- More than one million low-income houses have been weatherized under the federal Weatherization Assistance Program and the Low Income Energy Assistance Program.

2.2.2 Non-RCS Residential Conservation Programs

Many diverse informational and action-oriented conservation programs have been initiated by federal and state agencies, utilities, and the private sector in addition to, or instead of, RCS. No comprehensive attempt has been made to catalog and analyze the effectiveness of these programs, which may number in the hundreds. However, most of the programs fall into one or more of the following categories, based upon their emphasis: information dissemination, installation of conservation measures, financial incentives, and regulatory approaches. Evaluations of these programs have shown that many are effective. Unfortunately, differences in approach and evaluation quality limit the direct comparability of most of these programs to the RCS Program.

3.0 RCS STATUS

The RCS Program is currently operational in 40 states that now have approved plans. In addition, a Federal Standby Rule was issued on September 27, 1983, allowing DOE to implement the Program in states that choose not to implement RCS. This permits the extension of RCS to the remaining states.

This evaluation Report is based on data obtained during a two-year RCS evaluation period from April 1, 1981, to March 31, 1983. The information for this evaluation period is obtained from the 1982 and 1983 Annual RCS Reports filed with DOE by states and nonregulated utilities, from selected state and utility Program evaluations, and utility association surveys.

Information is available from 37 States which had performed at least some RCS audits prior to April, 1983. (Since that time, three additional states have begun RCS Programs.)

The state reports show there are about 62 million eligible households in these 37 states. This number has to be used cautiously, however, since there is a great deal of double counting. The state reports include information from both electric and gas utilities. Where a home has both electricity and natural gas, it may show up as a covered residence in the reports from both the electric and gas utilities.

States were asked by DOE to avoid this double counting in reporting the number of their eligible customers, but many were unable to do so. As a result, there is no consistency in the state reports. This inconsistency is evident by a comparison of the number of eligible customers and number of households shown on Table 3-1. For example, Pennsylvania reported 5.6 million eligible customers, even though there are only 4.2 million households in the state. Obviously, households with both electricity and natural gas were counted twice. Similar problems exist in data from 12 states, most notably Illinois, Indiana, Florida, Oklahoma and Texas.

Table 3-1. NCS Audits and Program Costs

(as of April, 1983)

	First Audit Performed	Eligible Customers	Number of Households	Number of Audits Performed	Utility Expenses ($)	State Expenses ($)
NORTHERN STATES:						
Alaska			131,000			
Colorado	4/81	600,000	1,061,000	43,553	1,100,000	500
Connecticut	10/80	844,000	1,094,000	79,859	10,500,000	203,454
Delaware	3/80	90,418	207,000	9,060	900,000	18,874
D.C.			253,000			
Idaho		384,871	324,000	2,301	600,000	41,077
Illinois	10/81	5,159,982	4,043,000	63,255	7,000,000	178,000
Indiana	7/81	2,091,795	1,927,000	32,299	3,900,000	60,298
Iowa	6/81	770,000	1,053,000	29,808		
Kansas	2/83		872,000			
Kentucky	11/82	821,870	1,264,000	125	400,000	50,283
Maine	11/81	408,099	395,000	9,122	800,000	18,388
Maryland	9/81	1,392,147	1,461,000	28,598	3,000,000	163,000
Massachusetts	12/81	1,876,730	2,033,000	165,000	15,400,000	88,000
Michigan	7/81	3,000,000	3,195,000	334,000	46,000,000	
Minnesota	9/81	1,187,000	1,447,000	46,517	5,200,000	184,000
Missouri			1,794,000			
Montana			284,000			
Nebraska	10/81	517,424	571,000	9,535	1,700,000	
New Hampshire	11/81	259,000	323,000	1,786	200,000	21,182
New Jersey	3/81	2,158,657	2,548,000	18,517	3,600,000	81,000
New York			6,340,000			
N. Dakota			228,000			
Ohio	7/81	3,374,215	3,834,000	16,056	1,700,000	42,723
Oregon	4/81	429,650	991,000	32,597	1,000,000	64,500
Pennsylvania	8/81	5,640,049	4,221,000	22,146	4,000,000	883,402
Rhode Island	4/81	300,000	339,000	20,330	2,200,000	132,989
S. Dakota	10/81	255,832	242,000	5,113	900,000	49,565
Utah			449,000			
Vermont	7/82	147,000	178,000	17,000		932,727
Virginia			1,663,000		100,000	
Washington	2/83	273,134	1,540,000	55,235	5,600,000	
W. Virginia	2/82	436,754	686,000	1,454	1,400,000	201,443
Wisconsin	9/81	1,500,000	1,652,000	280,416	3,500,000	51,900
Wyoming			166,000			
NORTHERN TOTAL		33,918,627	49,009,000	1,323,682	122,700,000	3,467,297
SOUTHERN STATES:						
Alabama	11/81	850,000	1,341,000	21,990	2,200,000	30,200
Arkansas	3/82	999,470	816,000	5,060	1,200,000	90,250
Arizona			967,000			
California	3/82	6,500,000	8,630,000	311,262	54,700,000	529,600
Florida	3/81	4,345,700	3,741,000	244,876	15,200,000	234,094
Georgia	4/81	1,717,247	1,872,000	23,241	2,900,000	41,919
Hawaii			294,000		100,000	5,000
Louisiana	7/81	1,685,000	1,411,000	3,914	400,000	5,500
Mississippi	3/81	490,650	827,000	587	300,000	58,430
Nevada			304,000			
New Mexico	7/80	570,457	441,000	7,212	500,000	52,240
N. Carolina	9/81	1,500,000	2,041,000	6,685	1,300,000	139,700
Oklahoma	6/81	1,547,465	1,119,000	22,869	4,200,000	203,060
S. Carolina	5/81	766,012	1,030,000	8,083	1,100,000	125,000
Tennessee			1,618,000			
Texas	3/81	6,880,080	4,929,000	52,213	9,100,000	102,700
SOUTHERN TOTAL		27,852,061	31,371,000	707,992	93,200,000	1,617,693
NATIONAL TOTAL		61,700,688	80,380,000	2,031,674	215,900,000	5,084,990

NOTES TO TABLE 3-1

Northern and Southern States

Data for Table 3-1 are presented for each state, for Southern states, for Northern states, and for the Nation. The division of states between South and North was made to distinguish areas where heating costs tend to be high from those in more moderate climates. Although the placement of some states into one region or the other may be debatable, the basic purpose was to identify differences between the so-called sun-belt and snow-belt states. In some instances sufficient data are not available to generate meaningful regional sub-totals.

First Audit Performed

This is the date of the first audit performed by any covered utility in the state under the RCS Program as reported in the State Annual Reports. Some states started providing audits earlier than the official RCS Program approval date.

Eligible Customers

The data presented are as reported in the State Annual Reports for 1982 and 1983. There is some double counting resulting from failure to account for overlapping electric utility service districts.

Number of Households

The data are taken from the 1981 U.S. Statistical Abstract and are based on the 1980 U.S. Census.

Number of Audits Performed

This is a cumulative total of the number of audits performed as reported in the 1982 and 1983 State Annual Reports. Some states cannot distinguish between RCS and other audits and thus probably over-report the number of RCS audits performed. Data are not available for some states which would cause the totals to be understated.

Utility Expenses

This is a cumulative total of utility expenses as reported in the 1982 and 1983 State Annual Reports. Uncertainty exists about the accounting procedures for these expenses. For example, reported utility expenses may or may not include Program administration costs in addition to the costs of performing the audit. Often the reported cost per audit multiplied by the number of audits performed is far less than the reported utility expenditures.

State Expenses

These are a cumulative total of the state expenses as reported in the 1982 and 1983 State Annual Reports. Uncertainty exists as to each state's procedures for accounting for these expenses. For example, the expenses may or may not include personnel and overhead costs, or costs reimbursed to the state by utilities. The national total is likely to be understated.

In the 25 states that apparently were able to avoid this double counting, about 75% of the total households were eligible for the RCS audits. The other 25% were not eligible either because they were in utilities too small to be covered by RCS or they were in larger than four-unit dwellings with central heating and cooling systems.

If this 75% figure is valid nationwide, then about 60 million of the 80 million households in the 1980 Census would be eligible for RCS audits. If this percentage also is applied to the 12 states that were not able to avoid double counting, then there are about 50 million eligible households in the 37 states covered by the evaluation.

The Evaluation Report therefore covers about 50 million of the 60 million households eligible to receive RCS audits. The largest state not covered by the report is New York.

As the RCS Program had just gotten underway in some states and utility service areas during this evaluation period, the fact that a household was eligible did not mean that it received an unconditional offer of an RCS audit. An unconditional offer occurs when the utility contacts the household in writing and specifically indicates the mechanism whereby the household can schedule an audit, usually by sending in a card or calling a utility audit telephone number. In some of the utility announcements, the audit program was described but no unconditional audit offer was made. For example, the utility told the customer that he would be informed later as to when the audit request could be made in order for the utility to even out the audit requests over a one- or two-year period.

With the above points in mind, the reader is referred to Tables 3-1 and 3-2 which provide some of the underlying data on consumer participation and on the overall level of RCS activities during the two-year evaluation period.

Table 3-2 describes the response to unconditional audit offers when such information was provided in the state and utility reports. This table provides the most reliable data on the response rate of households to the RCS Program. It deals only with customers who have received an

Table 3-2

RESPONSE TO UNCONDITIONAL AUDIT OFFERS

	Unconditional Offers	Consumer Requests	Request Rate
1981 (5 states)	6,374,286	544,630	8.5%
1982 (35 states & non-regulated utilities)	20,484,850	1,146,808	5.6%
TOTAL	26,859,136	1,691,438	6.3%

Calculations are based only on states reporting both unconditional offers and requests.

unconditional audit offer. Furthermore, it includes customers who have requested audits, but have not yet received them (there are several month backlogs in some utilities). The 5.6% response in 1983 is the most reliable indication of household response. The limitation in the 1981 information to only 5 states makes it less likely to be representative of the national experience. The 1982 data are from 21 states and 14 nonregulated utilities which is a larger and more representative sample.

Table 3-1 shows that approximately 2 million households received RCS audits during the two-year evaluation period. This represents a 4% response rate for the estimated 50 million eligible households, after the double counting of electric and gas customers is eliminated. (A customer could, of course, request audits from both his electric and gas utilities, but this is rarely done, particularly when a small charge is made for the audits.) The difference between this 4% response and the 5.6% response shown in Table 3-2 stems from two factors. Not all of the households shown on Table 3-1 received unconditional audit offers. Furthermore, Table 3-1 shows only the audits that were performed, so if a customer requested an audit and it had not yet been performed, it would not be reported.

In addition to the above information on aggregate participation rates, the following statements can be made about RCS Program performance:

- Total expenses including utility, state and federal costs average $120 per audit, including about $10 in federal costs. Costs vary widely by utility and state, presumably as a consequence of the efficiency of the individual Programs, varying accounting practices, and number of audits.
- Most utilities charge $15 to the householder for the audit; some utilities charge $10; others provide the service at no cost; and still others provide conservation kits or on-site services in exchange for the audit charge.

- Total utility, state and federal costs are $240 million over the two-year period through March of 1983. Utility costs account for $216 million, including about $22 million which was recovered in audit fees.
- RCS response rates vary widely, from 0.1% to 31%, among utilities, states, and regions of the U.S.
- Five states -- Delaware, Michigan, Vermont, Washington, and Wisconsin -- have provided audits to more than 10% of the eligible customers over the two-year period.
- The demographic characteristics of households that participated in the RCS Programs are significantly different from the average utility customer. Participants are generally more affluent, better educated and live in larger, more energy-intensive homes. Sample comparisons of participants to average utility customers in some states are as shown below. National data are unavailable.
  - -- Massachusetts:
    Own Home: 93% of RCS participants vs. 81% of general population
    College Graduate. 58% vs. 31%
    Annual Income Above $30,000: 55% vs. 31%
  - -- Michigan:
    Own Home: 97% vs. 85%
    College Graduate: 45% vs. 29%
    Annual Income Above $30,000: 56% vs. 34%
  - -- California (Study of single-family homes):
    Own Home: 96% vs. 83%
    Annual Income Above $30,000: 48% vs. 39%
  - -- Texas:
    Participants have 15% more family income than non-participants.
    Twice as many participants have college degrees as non-participants.
    Twenty-five percent more participants have incomes above $30,000 than non-participants.

4.0 RCS PROGRAM EFFECTIVENESS

The effectiveness of the RCS Program can be measured by the adoption rate for conservation measures, by the conservation investment and energy savings, and by the cost-effectiveness of the Program. Each of these will be discussed. Because of the recent start-up of the Program in some states and the limitations in the available data, the evaluation is more suggestive of the experience to date than it is a definitive assessment of what has been done.

4.1 Adoption Rates for Conservation Measures

In most of the RCS evaluations, the impact of the RCS Program was determined by comparing the behavior of RCS participants (i.e., those who received an RCS audit) to non-participants (i.e., those who did not receive an RCS audit). The non-participants were eligible customers who were used as a control group in an attempt to capture the influence of all factors except an RCS audit. In some states or utility service districts, control groups were matched demographically with the participants, while in others they were a random sample of all utility customers, and still in others the whole residential customer class was used as the control group. The term "non-participants" will be used generally to refer to these groups, whatever their composition.

In the 23 states with data on adoption rates, the differences in the rates of adoption of conservation measures between RCS participants and non-participants are small. Where participants installed more measures than non-participants, the percentage differences are: caulking 13%, weatherstripping 7%, ceiling insulation 10%, duct insulation 6%, and clock thermostats 1%. Non-participants have installed storm doors and wall insulation 1% more often than participants. Both groups have installed storm windows equally.

4.2. Conservation Investment and Energy Savings

In the five states where data are available, the RCS Program has increased conservation investments of participants by about 80% relative to all non-participating households. In Connecticut, Massachusetts, Michigan, Minnesota, and Vermont, surveys were completed of investments

made after the RCS audit was received by participants, and a similar survey was made of non-participants during the same period. Although the state evaluation data are sparse and represent only Northern states, the actual values, with the exception of the Vermont data, are closely clustered.

The average of consumer conservation investments by RCS participants (utilizing a weighted average of all state data excluding Vermont) is about $475 vs. $250 for non-participants.

The average incremental energy saving in these states analyzed for participants vs. non-participants is about 4 MBtu per year. (Whether this difference in annual energy savings expands in future years is uncertain, but studies in the Bonneville Power Administration region (for a non-RCS audit plus loan program) and in Minnesota show that differences in annual energy savings between audited an unaudited homes continue to increase in the second post-audit year.) The average single-family dwelling consumes 114 MBtu per year, down from 138 MBtu in 1978-79. The average annual household consumption in regions of the sampled states ranged from 89 MBtu in Florida to 147 MBtu in North Central states (Michigan, Minnesota, Wisconsin). The energy savings in these analyzed states ranged from 0 to 3.6% of energy consumed, with a weighted average of 2.1%. It appears that in some areas the RCS audit has motivated Program participants to make needed conservation investments more promptly than non-participants. The resulting investments also have been larger and had a longer lifetime (and consequently, longer duration of energy savings) than those of non-participants. As expected, lifetime of conservation investments is difficult to estimate, and the variety of measures, from caulking to attic insulation, makes calculation of a single "average" even more difficult. However, for the purposes of this evaluation, an average lifetime of 12 years was used.

The weighted average total energy saved by Program participants is 9 MBtu per year. On average non-participants saved 5 MBtu per year. This weighted average is based on studies in only nine states (which do account for about three-quarters of the audits performed to date, but are not representative of the Nation as a whole, if for no other reason than they are primarily Northern states).

35-235 O - 84 - 44

The average value of energy savings is approximately $90 for participants and $55 for non-participants, for a differential of $35. These figures are based on the same nine data points as in the calculations for MBtu savings above and on average energy prices and fuel mix within the states.

In the base case, savings are estimated to average approximately 4 MBtu per household per year, based upon energy use data primarily representing the first year after the audit. For the two million audits conducted in the first two years of the Program, this would represent cumulative energy savings to consumers of approximately 12 trillion Btu, over the two years of Program operation. Computing electricity at the direct thermal equivalent of 10,000 Btu/kWh, this represents about 17 TBtu in primary energy use.

It should be pointed out, however, that there are various factors which may cause these figures to either underestimate or overestimate actual energy savings. For example, there may be a time lag between the audit and the actual installation of measures, which would tend to reduce the amount of energy savings attributed to the audit. Conversely, various measures may be installed either immediately prior to the audit or, after the audit, non-recommended measures may be installed which would provide energy savings that are not directly attributable to the audit, yet would be captured in the energy savings data for participants.

4.3 Cost-Effectiveness

RCS Programs have led to an almost doubling of the energy conservation that might otherwise have taken place among participants but the total per-audit savings of energy are generally less than 10% of total household energy use. This doubling is derived from data with a very large spread, for example, from almost a tripling in energy savings relative to non-participants (from 5 to 14 MBtu) in Connecticut, to only about a 12% increase for the Florida Power and Light Company program (from 3.2 to 3.6 MBtu). In all cases, installations of conservation measures and adoption of practices had paybacks of less than seven years from the perspective of the participant.

The cost of achieving these energy savings can be estimated by comparing the average annual energy conservation investments of RCS participants and non-participants and adding to the RCS participants' figure the average cost of an RCS audit and administrative costs. The result is that the total cost of RCS non-participants' investment is approximately $50 per annual MBtu saved, with 5 MBtu saved in the first post-audit year. Participants saved 9 MBtu in the first audit year, at an investment cost of $65 per annual MBtu saved. Thus, the almost doubling (or 4 MBtu increase) in energy savings of participants over non-participants was achieved with approximately a 35 percent increase in cost per Btu saved. These numbers also vary greatly from state to state (e.g., $11.00/MBtu for the CONN SAVE Program and $550/MBtu based on some California data).

Tables 4-1 and 4-2 present summaries of energy savings, investments, payback data and cost-effectiveness ratios for those eight states where energy savings and/or investment data were available for both Program participants and non-participants. The studies from which these data were derived are representative of states which account for approximately 73% of the Nation's audits performed to date.

Two types of cost-effectiveness ratios are computed. For participants, the cost-effectiveness ratio compares anticipated future energy savings with the present costs of creating those savings. A ratio greater than one indicates that discounted anticipated energy savings are greater than their costs.

The second ratio compares the incremental savings, between participants and non-participants, with the incremental costs of generating these savings. The incremental costs include RCS administrative costs plus the additional investment that participants make above that of participants, but do not include the customer's price of the audit or the cost of maintenance. A ratio greater than one indicates that the additional savings attributable to the RCS Program exceed the additional costs generated by the Program.

TABLE 4-1

	Present Value of Annual Reported/Assumed Savings						Reported/ Assumed Investments		Payback Period	
	(P)			(NP)						
	(5%)	(10%)	(15%)	(5%)	(10%)	(15%)	(P)	(NP)	(P)	(NP)
Colorado	907	697	554	737	567	451	574	240	6	3
Connecticut	1,180	987	722	421	324	258	1,014	380	8	8
Massachusetts	653	502	399	436	335	266	523	264	7	5
Michigan	752	578	468	376	289	230	508	161	6	4
Minnesota	1,271	977	777	847	651	518	675	300	5	3
Wisconsin	685	465	370	483	310	247	574	248	8	5
California	921	708	563	426	328	261	574	240	6	5
Florida	593	456	362	527	405	322	574	240	9	4
NATIONAL TOTAL	766	589	468	474	365	290	574	240	7	5

TABLE 4-2

	Cost Effectiveness Ratios						Incremental Cost Effectiveness (P) - (NP)		
	(P)			(NP)					
	(5%)	(10%)	(15%)	(5%)	(10%)	(15%)	(5%)	(10%)	(15%)
Colorado	1.6	1.2	1.0	3.1	2.4	1.9	.5	.4	.3
Connecticut	1.2	.9	.7	1.1	.9	.7	1.2	.9	.7
Massachusetts	1.2	1.0	.8	1.6	1.3	1.0	.8	.6	.5
Michigan	1.5	1.1	.9	2.3	1.8	1.4	1.1	.8	.7
Minnesota	1.9	1.4	1.2	2.8	2.2	1.7	1.1	.9	.7
Wisconsin	1.1	.8	.6	1.7	1.3	1.0	.6	.5	.4
California	1.6	1.2	1.0	1.8	1.4	1.1	1.5	1.1	.9
Florida	1.0	.8	.6	2.2	1.7	1.3	.2	.2	.1
NATIONAL TOTAL	1.3	1.0	.8	2.0	1.5	1.2	.9	.7	.5

NOTES TO TABLE 4-1

Present Value of Annual Reported/Assumed Savings

This is the present dollar value of future energy savings over a 12-year period utilizing first-year savings as a basis for computing future savings and using discount rates of 5%, 10%, or 15%. The national totals at the bottom of the table are the weighted averages of both participants and non-participants in the specified states.

Reported/Assumed Investments

These are the dollar values of total investment per customer for participants (including the cost of the audit) and for non-participants.

Payback Period

This period is the number of years needed to recover the investment in conservation measures. It is determined by dividing reported/assumed investments by first-year savings for participants and non-participants. The national total represents weighted averages of participants and non-participants for the states which reported the cost of measures installed.

NOTES TO TABLE 4-2

Cost-Effectiveness Ratio

This ratio is the present value of annual reported assumed savings (see Table 4-1) divided by the reported assumed investments (also from Table 4-1) for participants and non-participants. The national totals of these ratios are the weighted averages based on participants and non-participants for those states with cost-effectiveness data.

Incremental Cost-Effectiveness Ratio

This ratio is determined by calculating the difference between the present value of annual reported/assumed savings for participants and non-participants and dividing it by the difference between the reported/assumed investments for participants and non-participants. The national total is determined in the same way by using the weighted average totals of incremental savings and investments.

Discount rates of 5, 10 and 15 percent have been used to illustrate the present value of energy savings over the life of the conservation measures. A period of 12 years is used as the average life of conservation measures based on studies in Connecticut and Minnesota where estimates were made of measure life.

The following observations can be made based on this information:

- In response to the RCS audit, which costs on average $120, data show that audited customers invest approximately $240 more in conservation measures than non-audited customers. When comparing total energy savings to total costs, the investments of audited customers are less effective than those of non-audited customers.
- Audited customers, overall, make less cost-effective investments than non-participants because their greater level of investment includes items with longer payback periods.
- Payback periods of installed measures are seven years on average for audited and five years for non-audited customers. (If the payback periods for California--20 years for audited and 28 years for non-audited customers--are not considered, average payback periods are substantially shorter.)
- As might be expected, the computed value of energy saving per dollar of total RCS cost for individual RCS Programs shows considerable variation, from 2.1 for Michigan to 0.9 for California and 0.1 for Colorado. These variations reflect differences in local energy prices and in achieved energy savings, as well as high start-up costs and the short time to achieve results.

4.4 Program Element Effectiveness

This section addresses a miscellany of issues relating to the effectiveness of the RCS Program as it was originally intended to operate and how in practice it has operated. Much of the data summarized here was extracted directly from Annual RCS Reports and represents the subjective assessments of state and utility officials.

4.4.1 Audit and Auditor Quality

- Most auditors are seen as well qualified, although a few customers expected auditors to have engineering expertise.

- Almost all customers liked the audit, although a small fraction wanted more precise or sophisticated data.
- Many utilities feel walk-through or other less formal audits are more cost-effective than the RCS audit.
- Several respondents to surveys conducted by the American Gas Association (AGA) and the American Public Power Association (APPA) of their respective members said audits provide the utilities with a good public relations tool and build stronger customer relations.

4.4.2 Quality Assurance

- Congress included listing, inspections and other provisions in RCS because of concerns over the reputation of the home improvement industry in general.
- For various reasons, these provisions generally have not been utilized by participants.
- When financing is linked to RCS, quality assurance procedures are used and have been effective.
- Consumer education and other alternative quality assurance procedures have been instituted in some states, but their effectiveness is unknown.

4.4.3 Program Administration and Implementation

- State lead agencies generally are considered to be effective administrators of RCS, although the lack of federal support has tended to reduce state staffing levels and may contribute to problems such as staff turnover. Some utilities serving more than one state have experienced some problems dealing with more than one state agency.
- Utilities are almost universally seen as the best and most effective vehicle for implementation, although service area overlaps and other problems do confront some utilities.
- Contracts between utilities and neighborhood organizations and municipalities have been developed to address specific markets (e.g., low-income rental) but the effectiveness of these arrangements is not known.

4.4.4 Effectiveness of Individual Program Elements

- Program announcements are considered informative but ineffective in motivating Program participants while the response to special marketing efforts has ranged from moderate to substantial.
- The audit is universally seen as the heart of the Program and as a useful, informative service.
- Auxiliary services (e.g., listing, arranging, inspections) have not been an important part of the Program and are often not utilized at all.
- The availability of low-cost financing generally increases Program participation substantially and can trigger the use of such auxiliary services as arranging and inspections.

4.5 Qualitative Assessment of Effectiveness of Features Added to RCS

Utilities and states have added many features to particular versions of the RCS Program. For example, some utilities offer audits at no charge to the customer, some offer no-cost or low-cost conservation kits or installation of measures, and some offer low-cost loans or rebates as incentives to implement audit recommendations.

No definitive analyses of the effectiveness of these additional features was carried out, but it appears that financial assistance and free audits increase the response rates to the RCS Program where they are available. Unfortunately, no studies have been performed to determine whether they increase the overall cost-effectiveness of the Program.

5.0 UTILITY PERSPECTIVE

5.1 Strategic Issues

The RCS Program was not established for the direct benefit of the utilities, and it was recognized that it would be costly for many of them to operate. Nevertheless, a program that meets utility needs and is straightforward to administer is likely to be better implemented than a Program which lacks these characteristics. Because of the critical role utilities play in the performance of RCS, it is desirable to review their perspectives on its design and implementation.

Utilities believe that a fundamental flaw in the RCS Program is its standardized, excessively detailed nature and blanket coverage. The costs and benefits of the Program to the utility are sensitive to key utility characteristics such as customer end-uses of energy, utility load profile and load factor, local climate, current and projected local energy costs and utility rates (both marginal and average). For example, electric utilities with a low percentage of electric heating customers derive only moderate benefit from the RCS Program in terms of energy or capacity savings, but bear most of the cost of the Program.

Thus, what is a "good" conservation program for one utility may be "bad" for another utility. Furthermore, what is good today can be bad tomorrow for the same utility. Understandably, therefore, both natural gas and electric utilities prefer to design conservation programs that are believed to be responsive to their systems' requirements.

The motivation of the utility appears to be critical to the Program's participation rate and thus to overall Program effectiveness. When a utility is interested in conservation, the RCS Program is marketed aggressively. Conversely, a utility not interested in the RCS Program will undertake the minimum mailing announcement required by law. Thus, it is not surprising that responses to RCS and alternative programs have ranged from less than 1% to as high as 20% per year.

It is believed that a key ingredient to the success of future utility energy conservation programs is to allow utilities more flexibility in the design and implementation of their programs. Both Florida and

California, two states that promote conservation through utility-derived programs, establish general policy guidelines and leave the design of the programs up to the utilities.

Another flaw of the RCS Program from the electric utilities' perspective is that they often must provide service to customers who use other energy sources for the largest end-uses (space conditioning and water heating). Natural gas and electric utilities that provide audits to oil-heated homes do not benefit significantly from customers taking action.

Only a handful of utility companies have investigated and released studies showing the impact and distribution of benefits and costs of the RCS Program in their service territory. Of those that have, most have been required to do so by state regulatory authorities and, for the most part, these studies have not been done with the same rigor and approach as the evaluations used here. Where appropriate, data from the studies were included in this evaluation.

Nearly 80% of the utilities surveyed by the Edison Electric Institute in 1983 stated that they would offer audits even if the federal program were discontinued. Many offered audits before the federal program, and several utilities now offer less expensive mail-in audits or variations of the RCS audit. The prevailing thought among utilities is that the RCS Program is too expensive, too time consuming, and offers too little flexibility for them to adapt to local conditions and utility company needs.

5.2 Tactical Issues

Despite the paucity of statistical data based on rigorous analysis, much qualitative information exists on the reactions of utility companies to the RCS Program. As reported by individual utility companies, as well as industry associations, the following specific objections to the RCS Program have been raised.

Under the RCS Program, audits are too time consuming and too costly; most RCS audits cost $100 or more apiece. Utilities feel that

most of this cost stems from RCS regulations and that simpler, less costly audits could identify the majority of the cost-effective conservation opportunities just as well.

The listing, arranging and inspection services provided under RCS are not being used frequently, but, where used, result in fewer rejections of installations over time. For example, Lone Star Gas has performed over fifteen thousand audits but has had only three customers who have accepted arranging services. Few, if any, customers in Delaware have taken advantage of RCS lists. Michigan Consolidated Gas, which believes the RCS Program to be effective, has recommended elimination of contractor and lending lists.

The RCS Class A audits appear to be most applicable and appropriate for only a small percentage of households:

- Large and/or complicated residences where extensive options and opportunities exist.
- Homes where large investments are being considered.
- Homes where a significant amount of conservation investments have been made yet more is contemplated, and analysis will facilitate better investment decisions.

Most of the energy savings potential in a home can be identified by a walk-through audit costing much less than the RCS audit. For example, the walk-through audit identifies most of the savings potential that can be identified in an RCS audit but costs considerably less. Florida Power and Light estimates the walk-through audit identified 85% of the energy savings at half the cost. San Diego Gas and Electric streamlined the RCS audit by reducing input questions from 108 to 38, and measures evaluated from 34 to 10. The cost was reduced from $175 to $85.

These audits have the advantages of face-to-face consultations, plus the potential for the auditor to "sell" the householder on additional measures and to illustrate energy savings practices.

The primary disadvantage is that the walk-through audits are still quite expensive and time consuming. If scheduled on an individual response basis, travel time--particularly in rural areas or at rush hour times in urban and suburban areas--can be significant.

Walk-through audits may be appropriate, therefore, in some service areas or for some types of households, and may be more cost beneficial than the RCS audit, while achieving most of the energy savings.

For some householders, most of the energy savings potential can be identified with yet another, less sophisticated evaluation approach, such as mail-in audits (Class B). Some participants preferred the Class B audit because it takes less time, costs less, preserves family privacy and can be done at the participant's convenience. The Class B audit may also be a good teaching tool for do-it-yourselfers.

In particular, the Class B audit fulfills some of the principal ambitions of the original legislation mandating the RCS Program to serve as an educational tool to alert customers to the need and advantages of conserving energy. However, face-to-face contact with the consumer, which has often been found to be critical in motivating homeowners to take conservation actions, is lost.

Problems with Class B audits are that only 10-15% of those who receive the audit forms and instruction sheets have returned them for computer analyses and significant errors are often found.

On the plus side, costs to utilities of Class B audits are far lower than Class A audits, often less than $10 each including computer analyses. With some marketing and promotional expense, employee expense for management, reporting, analysis and consultation, the utility cost will likely be only one-fourth of that for the RCS Program.

6.0 OTHER PERSPECTIVES

6.1 The State Regulatory/State Energy Office

Strengths

- The federal legislation guarantees a minimum level of effort by utilities.
- There is wide variation in support for conservation on the part of the state governments and their regulatory agencies. Some states (e.g., Michigan) term RCS successful.
- The RCS Program has stimulated some utilities to recognize conservation as an integral part of supply-demand planning.
- Many utilities have developed complementary programs (e.g., low-interest loans, ZIP, RECAP) that have enhanced the effectiveness of the audits.
- RCS provides a basis for enabling public utility commissions to include conservation expenses as part of utility operating costs.

Weaknesses

- The effectiveness of the Program in reaching poor and middle class consumers is limited, and states have been seeking mechanisms (e.g., working with community groups, modifying the audits) to broaden the participant group.
- Overly prescriptive legislation requires certain provisions which add little to the value of the audit and could be dispensed with. These provisions raise costs, reduce available auditor interaction time with the homeowner, and deflect attention from critical homeowner conservation needs.
- There is some indication that the Nation's homeowners already have made behavioral shifts and some conservation investments to adapt to higher energy prices. Thus, there may remain a more limited set of cost-effective opportunities, and relatively stable energy prices and the lack of shortages reduce the urgency for immediate action.

6.2 The Consumer

Strengths

- Utilities and the RCS audits they provide are generally viewed as reliable sources of information on conservation measures.
- The cost of audit is $15 or less and the value of the information is generally in excess of that figure.
- Even for those who take no investment actions, the audit may verify conservation actions already taken.
- RCS listing provides information on contractors, suppliers and sources of financial assistance.

Weaknesses

- The fact that the consumer is charged for the audit discourages some prospective Program participants.
- The RCS Program does not mandate the availability of financing, which is often seen as a critical motivating factor. (Some utilities/states have augmented basic RCS in this regard.)
- The availability of audits only during normal business hours is inconvenient to some households.
- The audit is often viewed as being too lengthy and complex, covering some conservation measures inappropriate to most homes.
- As the audit requires inclusion of so many measures, it does not effectively isolate and emphasize low-cost/no-cost items homeowners can do immediately, if they lack the financial resources for more costly items.
- The audit specifically avoids energy-saving opportunities that may be available through fuel switching.

6.3 The Home Energy Retrofit Contractor

Little data exist to measure the impact RCS has had on private businesses that provide energy audits or that market and install residential energy conservation equipment. However, some organizations within the industry--the Alliance for Fair Competition, the National

Association of Plumbing-Heating-Cooling Contractors (NAPHCC), and the American Consulting Engineers Council--have commented on the Program.

These groups voice strenuous objections to RCS for the perceived advantage the Program gives utilities in garnering energy retrofit business, a market served primarily by small private contractors. RCS is seen as one manifestation of a more pervasive problem of utilities "anticompetitive and unfair" trade practices. Specific objections to RCS and CACS include:

- Utilities as monopolies have a natural advantage over other private industry in marketing energy conservation services and equipment to homeowners, by virtue of their established visibility and monthly contact, ability to rely on financial resources of the utilities (especially in the case of energy company subsidiaries of utilities), ability to finance business development through rate increases, ability to negotiate bulk orders for conservation equipment, and access to favorable homeowner loan financing rates.
- RCS results in subsidies to utility programs, with lower income consumers subsidizing audits taken by more wealthy consumers. Further, all consumers are taxed to pay for the Program administration costs at the state and federal levels.

Countervailing arguments can be made which stress RCS's positive impact on the home energy retrofit business. The RCS requirement that all large utilities provide home energy audits and recommend conservation measures, combined with the provision that utilities may subcontract to the private sector for installation of measures, may have created additional business opportunities for private contractors that they would not have had in the absence of RCS. With regard to the issue of subsidies paid by the less affluent, it should first be recognized that Program costs for all households are on the order of $2 per year, and that the resultant conservation can reduce future expenditures through avoiding the need to invest in new supply capacity.

7.0 CONCLUSIONS

7.1 Positive Results of the RCS Program

RCS, by requiring the utilities to accept conservation as one of their activities, prompted the establishment of conservation programs in some utilities that otherwise would not have initiated such programs. In doing so, RCS led to the development of a core of conservation talent in many utilities that had not previously developed such a capability despite the changing energy circumstances of the 1970s. In the process, many utilities have learned of the value of conservation as a cost-effective tool in energy supply-demand system planning. In some cases it is fair to say that utilities have evolved or accepted a "conservation ethic." Many utilities, perhaps most, now accept the fact that they are indeed an efficient mechanism for delivering residential conservation services. Some, perceiving that RCS was inadequate or inappropriate to their needs, devised innovative additions or alternatives to RCS.

Nationally, RCS established an operating infrastructure with the potential for reaching consumers in the event of a future energy crisis. It also fostered national awareness of conservation, further emphasizing what had already been a growing consciousness among the American public.

A significant number of households (about 2 million) have received RCS audits, and for most households RCS has become the only source of reasonably priced audits. In the process of providing these audits, both utilities and others have learned the importance of face-to-face interaction in motivating the homeowner to conserve.

At the state level, the existence of RCS as a federally-mandated program has provided the leverage states needed to motivate some utilities to do what the state already saw as necessary.

Also, at least partly attributable to the RCS Program, most utilities have indicated their intent to continue to provide RCS-like services whether or not they are federally mandated to do so. Many have learned the value of audits not only as a source of immediate or future

35-235 O - 84 - 45

energy savings but also as a means for clarifying to some homeowners the origins of high energy bills, as a mechanism for helping some homeowners to cope with bill paying difficulties, as a means for promoting more specialized programs of value to the utility (e.g., time-of-day metering, use of heat pumps, conversion to high-efficiency gas boilers), and as a means for usefully expressing a utility's concern for the best interests of its residential customers.

7.2 Shortcomings in RCS Program Performance

The low number of energy audits performed through March of 1983 is a frequently cited disappointment in the RCS Program. However, the costs of the Program scale almost linearly with participation levels, and the market for audits alone in the residential sector may be smaller than originally estimated. It is now believed that the present on-site audits may not be an effective mechanism for reaching less wealthy and/or rental households. Other techniques, including working through community groups, greater focus on quick payback items or shared savings programs, may be more effective in various settings. Further, since much conservation investment has been made by non-participants, the residual benefit they might gain should they ultimately receive audits may be lower than first anticipated.

Another concern is that those individuals receiving audits initially implement only a modest number of audit-recommended measures and achieve comparatively modest incremental energy savings (4 MBtus/year) relative to non-participants. This points up the weak linkage between the consumer's receipt of conservation information (the audit) and his motivation to act on that information, and why some utilities and state-lead agencies are promoting greater face-to-face contact between the households and the utility. Further, while a complete survey has not been conducted to determine the cumulative effect of an RCS audit over a number of years (e.g., multiple investments over time), recent Bonneville data suggest that additional investments are made in the second post-audit year.

There seems to be a significant difference (perhaps on the order of 50%) between the calculated energy savings of conservation measures and those measured in the field after installation. This may be the result of shifts in householder behavior after installation, poor installation, or inaccurate calculation procedures, the last of which would mean that inaccurate advice is being given out by the RCS auditors. This issue should be thoroughly researched. (The energy savings estimates used in this report are averages of calculated and measured savings, where available.)

The response rate for RCS is demographically skewed. Respondents are on the average wealthier, better educated, and own their own homes. Further, response is skewed regionally and among utility service areas. The former stems largely from the Program's emphasis on conservation measures for cold weather regions in the U.S., and the latter stems from the varying quality of implementation of the Program among utilities.

One additional result of the RCS's relative degree of success among the higher-income homeowners in comparison to low-income residents is income transferral. As most utilities recover RCS Program costs through their rates, the net effect is a near-term income transfer from lower to higher income members of society unless the Program leads to a reduction in utility rates through reduced need for high marginal cost energy.

Further, although a comprehensive study has not been conducted, anecdotal evidence suggests that in some areas the existence of the RCS Program may have led to an increase in utility business in energy audits and retrofits at the expense of private contractors, many of which are small businesses.

It is important to ask why energy savings have been relatively small on a per audited household basis (4 MBtus greater per year relative to a control group) and why there have been only 2 million audits conducted as of March of 1983. There are many hypotheses to explain the small incremental energy savings and low rate of participation in the RCS Program. These hypotheses have very different implications for how

the RCS Program ought to be viewed, and their relative importance to a large degree determines whether the RCS Program should be sustained, albeit with adjustments, or whether it cannot perform a useful role.

For example, alternative explanations for low incremental energy savings include:

- Insufficient time has elapsed since the audits for the major energy investments to take place.
- Audit recipients are highly motivated and had made major investments prior to a receipt of their audits.
- The audits make recommendations based on engineering models which suggest greater energy savings than occur in practice.
- Householders often request audits not to save energy but to improve the level of comfort in their homes. This saves little energy but improves householder well-being at the same energy level and provides a cushion to save energy should a national emergency arise.
- "Multiplier" effects from the audits and Program announcements may have influenced non-participants to make energy conservation investments.
- Conservation is like any other consumer product and must be "sold", a process that is incompatible with an "objective" utility audit.

Similar alternative explanations are possible for the low acceptance rates for audits.

It should also be noted that non-RCS conservation programs, provided by both utilities and others, may be more effective and more cost effective than RCS, although they have not been rigorously evaluated. Some of these programs require significant federal or ratepayer funds (e.g., zero-interest or low-interest loans) while others are paid primarily by the program beneficiary (e.g., the 50/50 Program).

7.3 Overall

Overall, the RCS Program has had success in motivating states and utilities to provide audit information to the residential sector.

Response rates have been highest where the Program was promoted aggressively and where provisions went beyond the minimum required by federal law. In general, the most aggressive RCS states also face perceived high marginal costs of energy. Participation has been greatest among the group that could be described as more affluent, better educated and homeowning, and their energy savings are roughly 1.8 times those of a comparable non-participant group, considering only the investments made within one year of the audit. Nonetheless, participation to date has been less extensive or demographically broad than desired, and audit costs, now averaging $120, include certain elements that are recognized as neither necessary nor cost-effective.

QUESTIONS FROM SENATOR MURKOWSKI

TRANSFER OF THE ALASKA POWER ADMINISTRATION

Question 37: The Department of Energy's detailed budget documents provided to the Committee included a notation (page 26, volume 5, DOE/MA-0064/2) which listed the transfer of the Alaska Power Administration (APA) to the State of Alaska as an objective for fiscal years 1985-1989.

a. What indication have you received from the State of Alaska that it might be willing to purchase or otherwise acquire the APA?

Answer: During the past 2 years there have been numerous informal discussions between the staff of the Alaska Power Administration and various State officials, including the Governor, key State legislators, and Board members and staff of the Alaska Power Authority, as well as discussions with APA customers and the Congressional delegation concerning the feasibility of transferring APA to the State Power Authority. The Governor has assigned the State Power Authority Board the task of evaluating the State's interest in acquiring APA. However, the State has not yet formally indicated its interest in this matter. As indicated in the budget document, we feel this is a desirable objective. We are prepared to go into detailed discussions with the State as soon as the State is willing to do so.

QUESTIONS FROM SENATOR MURKOWSKI

DEPARTMENT OF ENERGY FUNDING FOR THE STATE OF ALASKA

Question 38: The Department of Energy has proposed budget cuts in areas directly affecting the State of Alaska. Could you please provide me with the rationale for the following cuts:

a. Coal technology and coal preparation (Alaska):
FY 1984 Obligations: $ 53,000
FY 1985 Obligations: --

b. Energy Conservation, total (Alaska):
FY 1984 Obligations: $1,555,000
FY 1985 Obligations: 100,000

Answer: The planned FY 1984 obligations for the Fossil Energy Coal Technology and Coal Preparation program are $55,000. This generates $53,000 of costs in FY 1984. This reduction in FY 1985 results from the completion of a coal characterization data base on Alaskan coals by the University of Alaska. No further work is required.

Answer: The energy conservation cuts in the State of Alaska are all in the area of State and Local grant programs. The Department has not requested any funding for Energy Policy and Conservation and other Local Government Buildings grant programs or for the Energy Extension Service. Funding for both Schools and Hospitals and Weatherization Assistance grant programs has been proposed for FY 1985 through establishment by legislation of a "Petroleum Overcharge Restitution Fund." Funding at the FY 1984 appropriation level has been proposed in the President's Budget to Congress.

Assuming that FY 1985 allocations of these grant monies are similar to the FY 1984 pattern, the State of Alaska should be receiving approximately the same level of funding for Weatherization and Schools and Hospitals programs as in FY 1984.

Questions Submitted by Senator Heinz

Question #39: In view of your commitment in your prepared statement to research and development into a number of promising synthetic fuels technologies, specifically coal liquefaction and gasification, I note that these two programs had a combined appropriation of $65 million in FY 1984. However, for FY 1985, the total is only $29 million, a reduction of nearly 60%. How can such a massive reduction possibly be consistent with the stated Department goals of advancing these technologies?

Answer: The Congressional appropriation for FY 1984 contains funding for the completion of a number of large scale process development units and pilot plant projects in both Coal Liquefaction and Surface Coal Gasification. Research at this scale provides the basis for private sector companies to evaluate process technology for further development and commercialization potential. Although coal liquefaction ultimately will likely be an important technical option to enhance U.S. domestic supplies of liquid fuels, it is generally agreed that commercialization will probably not occur before the turn of the century. Consequently, the FY 1985 budget request supports long term research projects that investigate advanced concepts in both Coal Liquefaction and Surface Coal Gasification processes at the lab and bench scale. These projects promise to improve the performance and economics of preparing synthetic fuels from coal and will provide a technology base for the longer range future needs.

Questions Submitted by Senator Heinz

Question #40: While fiscal responsibility is most important in view of the current budget deficit, how can the slashing of the coal research activities, noted above, which involve over one half of the budgets but only $36 million, be justified in view of the addition of $1.1 billion to the Energy Department defense activities or the $1.5 billion requested for the Strategic Petroleum Reserve? The vast cuts to the coal liquefaction and gasification programs amount to less than 2% of the additions to the other programs, and I suggest this situation should be reevaluated.

Answer: The budget reductions related to the Coal Liquefaction and Surface Coal Gasification programs started in FY 1982 when the Federal mission for DOE was re-examined and the support for large scale demonstration and pilot plant projects was eliminated. During FY 1984, the remaining large process development unit and pilot scale projects were completed and the emphasis continued on more generic projects of a smaller scale. Although Coal Liquefaction will ultimately be an important technical option to enhance U.S. domestic supply of liquid fuels, it is generally agreed that the significant use of this option will probably not occur before the turn of the century. Therefore, the appropriate work is to provide a data base for industry and the program has been refocused on longer range, laboratory-scale projects which are less expensive to carry out.

The synfuels from coal option would take many years to bring on-line and cannot provide protection from supply disruptions that the Strategic Petroleum Reserve is designed to provide.

QUESTIONS FROM SENATOR EVANS

BREEDER REACTOR

Question 41: Your FY 1985 budget has proposed a drastic cut of over $100 million for breeder reactor R&D. I can understand the elimination of funding for the Clinch River breeder, but I cannot accept the need to scrap in toto funding for breeder reactor systems. Your policy seems to be heading in that direction.

a) Is this Administration, over the long-term, committed to a consistent program of support for breeder R&D? If so, could you provide us with some details on your strategy and schedule?

Answer: The reduction in the FY 1985 Base Program R&D budget is about $25 million. This Administration is committed to support a breeder reactor R&D program. It recognizes that we must not lose sight of the need to develop for the next century the inexhaustible energy source represented by the breeder. The Department of Energy Breeder Reactor Program provides an insurance policy to make this technology available, should the marketplace require it, after the turn of the century. This program has been restructured to focus on resolving those technology issues that are key to improved breeder reactor economics and predictable, safe performance. The program is fully consistent with National energy R&D policy in that there will be no new Federally funded demonstration projects. The responsibility for demonstration of breeder reactor technology, including definition of the demonstration program scope, timing, funding arrangements, and management, is now considered to reside with the private sector.

The Federal program complements industry efforts by emphasizing four principles: first, technology research and development necessary for a breeder system that has less complicated safety systems, is reliable, is competitive with alternatives, and meets the market needs of utilities; second, development of advanced plant concepts; third, major, substantial international collaboration; and fourth, development of LMFBR fuel cycle technology. The focus of this program for the next fiscal year will be directed toward advancing the technology for power conversion systems, components, instrumentation, and materials technology, as well as for the related fuel supply system, to the point where cost reduction and reliability potentials are realized. Also, since recent studies indicate that advanced breeder concepts can be economically competitive with alternatives and can be deployed with relatively short leadtimes and in sizes matched to various grid requirements, the feasibility of these advanced breeder concepts will be assessed with input from the utility sector, which is the ultimate customer for breeders. Explicit attention will be given to the potential advantages of smaller breeder reactors of standardized design that are capable of being replicated in total (or by module) in central fabrication facilities. Smaller sized fuel cycle facilities may also have attractive economics to match these plant sizes. Cooperative research with, and technology transferred to, the private sector will

constitute an important element of the reoriented breeder program. As technical obstacles are eliminated through R&D, the Federal program can be decreased while the private sector's role is increased. Thus, we expect a declining budget profile for breeder R&D over time, with the breeder reactor becoming a reality after the turn of the century.

Question: b) If you do not have a coherent plan, can you assure us that the Department will work closely with members of this Committee to develop such a plan?

Answer: The Department considers that it has a coherent plan for the development of breeder technology, but looks forward to further dialogue with the Committee to assure that the plan is both practical and achievable.

QUESTIONS FROM SENATOR EVANS

Question 42: Your FY 1985 budget reduces funding in the nuclear fuel cycle portion of breeder R&D by $20.4 million. Specifically, these cuts will eliminate design and equipment development activities for the Breeder Reprocessing Equipment Test (BRET) and the Fuels and Materials Engineering Facility (FMEF).

a) How does the elimination of BRET and FMEF affect the effectiveness of the overall breeder R&D plan?

Answer: The FMEF structure will be completed in June of 1984, and the installation of the secure automated fuel fabrication equipment will start soon thereafter.

The funding reduction will result in changes to our planned fuel cycle development activities that are carried out primarily at ORNL and also HEDL.

BRET design and supporting development activities will be phased out by the end of FY 1984. Some planned development work will be scaled back, with a corresponding loss of technical capability. The funds requested for FY 1985 will be used for continuing key equipment and system development activities, and for maintaining a minimum level of expertise in fuel cycle development to facilitate future closure of the breeder fuel cycle as national energy needs dictate.

Question: b) If the oxide fuels work at HEDL cannot be continued at 1984 levels, is it possible to build on its expertise in the gas-cooled reactor fuel (thorium) area to maintain the staff in the facility and draw upon their expertise?

Answer: A basic understanding of nuclear fuels and materials is fundamental to doing advanced development work on any specific fuel system. The current effort at HEDL is directed primarily to oxide fuels and therefore the highest level of knowledge and experience is in that area. This capability, including staff and facilities, could be adapted and directed to other fuel forms such as gas-cooled reactor fuels, although no plans have been made to do so at this time.

Question: c) It has been estimated that the job loss at HEDL will be in the 400-500 range. Could you provide the Committee with your estimates of cutbacks (budgeted funds and jobs), by specific facility, throughout the country?

Answer: We estimate the impact of the FY 1985 operating budget on staffing to be as shown below:

	FY 1984 Operating Expense	FY 1985 Operating Expense	Estimated Number of Jobs To Be Reduced
	($ in millions)		
HEDL*	96.2	84.3	250-300
ANL	78.1	69.8	90-110
ETEC	22.0	21.8	20-25
ORNL	29.1	15.1	150-155
LANL	9.3	8.0	25-30

Laboratory staffing impacts reflect differences in prevailing labor rates, prior year carryover, termination costs, and other overhead adjustments.

*Also see answer 14.c.

The estimate of the number of jobs lost is preliminary and will be refined by further analysis. Some of the reductions will be achieved by retirements and voluntary reductions in force; the timing of the reductions, i.e., early or late in the fiscal year, will also affect the magnitude of the reductions required. In some cases, personnel laid off from the breeder program will be assigned to other programs at those sites that have received increased funding in other programs for FY 1985.

QUESTIONS FROM SENATOR EVANS

Question 43: With the cutbacks in the breeder program, you seem to be advancing the concept of an international division of labor hereafter. I.e., France and U.K. will provide operating expertise; the U.S. will provide know-how on the fuel cycle.

a) Is the above an accurate description? How are your negotiations proceeding to involve foreign countries in such international projects?

Answer: We are not proposing an international division of labor. Rather, we are seeking a mutually beneficial exchange of information and use of test facilities across the entire spectrum of breeder program activities. There are several instruments already in place for this kind of cooperation, particularly with Japan and the United Kingdom. Our current thrust is to expand these and to enter into agreements for data exchange, use of test facilities, and exchange of observers with other countries.

Question: b) What sort of specific projects do you envision as feasible--infusions of funds and researchers to existing facilities within the U.S., or other alternatives?

Answer: It may be feasible to obtain funding for support of specific fuel cycle design and development tasks in return for data or joint participation in a project. We would not expect infusion of funds to the extent that we would base major program decisions on them.

It is also feasible for the United States to place personnel at operating foreign reactors and to allow foreign personnel

the same opportunity to participate in the operation of the FFTF or EBR-II reactors. Negotiations are currently underway to institute an exchange of data and personnel with the Japanese on the CRBR and MONJU reactors.

QUESTIONS FROM SENATOR EVANS

CONSERVATION

Question 44: There seems to be a reduced emphasis on conservation activities in the FY 1985 budget. While it is true that there is a temporary oil oversupply today, I believe that at some point in the future we will face another tight oil market. You (Sec. Hodel) have stated, before this Committee and elsewhere, that energy conservation should be regarded as a source of energy.

Can you provide the Committee with a list of the results of your current conservation activities in terms of how much oil is saved (BOED)? Please break down by grants and potential savings through R&D).

Answer: There is no reduced emphasis on conservation in the FY 1985 budget. The FY 1985 budget request for Energy Conservation programs totals $400.2 million. Last year's request was $74.0 million. This increase underscores our renewed commitment to energy conservation. It includes the $148 million for research and development which is roughly equivalent to the FY 1984 Congressional appropriation. It also includes $252.2 million which the Administration is requesting in the Health and Human Services budget for grant programs to fund the Weatherization Assistance and the Schools and Hospitals programs at their FY 1984 appropriation levels. These funds would be taken from the proposed Petroleum Overcharge Restitution Fund and would be transferred to DOE. In addition, there are new activities in the FY 1985 budget request. These include expanded efforts in certain areas of research and development (R&D), increased emphasis on technology transfer, increased investment in capital equipment, and fellowship programs

which will sponsor university and private researchers working at the national laboratories.

Estimating energy savings of DOE conservation activities is difficult. DOE's role is essentially that of a catalyst or facilitator, that is, DOE carries out functions that utimately help others save energy. Hence, it is difficult to identify how much energy is saved by DOE's efforts alone, apart from that which is saved altogether.

Nevertheless, estimates are provided on the attached table for both R&D and grants. Those for R&D are broken down into estimates for the present, which represents actual results of DOE's technologies as they have entered the marketplace, and for the future, which represents the energy savings ultimately achievable if DOE's technologies were fully adopted by the private sector. The estimates for the grants are taken directly from State reports to DOE on the progress of State efforts.

Attachment

Program	Approximate Annual Savings-1982 (Federal R&D Only)	Achievable Energy Savings in Year 2000* (Federal & Private Sector)	
R&D	1,000 BOE/day	Quads/yr	1,000 BOE/day
Transportation	11	3.58	1,790
Buildings	46	5.30	2,650
Industry	53	6.02	3,010
Utilities	No estimate	0.52	250

*In addition, the R&D programs also generate significant fuel substitution benefits.

Program	Approximate Annual Saving**
Grants	1,000 BOE/day
State Energy Conservation Program	120
Energy Extension Service	41
Weatherization Assistance Program	12
Institutional Conservation Program (Schools & Hospitals)	19
Energy Related Inventions Program***	2

**Estimates are derived from State projections in 1981/82.

***Benefits from this program, as with R&D, should be greater in later years.

QUESTIONS FROM SENATOR DANIEL J. EVANS

Question 45: Current energy costs do not reflect the real cost of energy because they do not include such factors as environmental costs. If costs that are now considered extraneous (such as acid rain for coal combustion and permanent nuclear waste storage for nuclear energy) were included in total energy costs, I believe that relative energy prices would be considerably altered.

Has the Department developed such estimates? If not, could you provide to the Committee your best estimates of such costs? (Please specify the type of environmental technology that you base your calculations on).

Answer: The Department has done extensive analyses of environmental costs, particularly the costs of acid rain controls and of permanent nuclear waste storage. A 1982 study of acid rain control costs examined three types of sulfur dioxide (SO_2) reduction techniques: 1) switching to a lower sulfur content coal; 2) installing flue gas desulfurization equipment (scrubbers); and 3) cleaning the coal before combustion.* Assuming that all coal-fired utilities burning greater than 2 percent sulfur coal are required to reduce their emissions, annualized costs (including capital, operation and maintenance, in 1980 dollars) of coal switching were between $130 and $310 million per year for each million ton of SO_2 reduction. Scrubbing costs ranged between $170 and $380 million per year, while coal

*DOE/PE-0042, Costs to Reduce Sulfur Dioxide Emissions, March 1982.

cleaning costs ranged between $220 and $420 million per year. The costs of the two most cost-effective controls (coal switching and scrubbing) translate into a 2.6 to 9.1 mill/kilowatt-hour (Kwh) increase in the costs of generating electricity at existing coal-fired power-plants, or a 4 to 26% increase in electricity prices to the consumer (assuming they now pay 3 to 5.4 cents/Kwh).

Another study, done in 1983, examined the costs of scrubbers, coal switching, and early retirements or use curtailments at coal-fired plants to achieve an 8 million ton reduction in SO_2 emissions.* All coal plants in the 31 eastern states were assumed to require controls, and each was allowed to determine its least-cost control option. Incremental 1995 revenue requirements for the 8 million ton reduction program were calculated to be $5.9 billion (in 1980 dollars). This would mean an increase of 2.7 mill per Kwh in 1995 electricity prices.

Estimating the costs of permanent nuclear waste disposal was an integral part of the Department's nuclear waste repository program. Because the

*DOE/EIA-0407, Impacts of the Proposed Clean Air Act Amendments of 1982 on the Coal and Electricity Utility Industries, June 1983.

program was designed to be financed through fees on commercial nuclear powerplants, it was essential to estimate accurately the costs of building and operating permanent repositories and of transporting spent fuel to the facilities. A charge of one mill per Kwh of electricity generated by each nuclear powerplant has been imposed and represents an increment of 4 percent over 1980 national average generating costs of 25 mills per Kwh.

QUESTIONS FROM SENATOR EVANS

AMENDMENT TO THE YAKIMA BILL S. 1027

Question 46: On October 18, 1983, Senator Nickles, Chairman of the Subcommittee on Water and Power, requested administrative comments on an amendment to S. 1027 which would provide for fish mitigation activities in the Yakima River Basin. Shortly thereafter, the Bureau of Reclamation responded favorably to Senator Nickles' request, and endorsed the legislation. Unfortunately, Senator Nickles has yet to receive comment from the DOE or BPA. Could you inform me when to expect administrative comment from your Department on this legislation?

Answer: BPA has written Senator Nickles explaining its inability to provide a timely substantive response to his letter of October 18, 1983. BPA has prepared and is coordinating with the Department and the OMB a response commenting on proposed amendments now under consideration by the Senate Subcommittee on Water and Power.

QUESTIONS FROM SENATOR EVANS

YAKIMA RIVER BASIN FISH PASSAGE IMPROVEMENTS

Question 47: The FY 1985 budget request for the BPA includes $27.1 million to meet Bonneville's fish and wildlife responsibilities under the Northwest Power Act. BPA's activities in FY 1985 include development of fish passage improvements in the Yakima River Basin. Its budget request states that "In addition to regular funding for these measures, BPA has included in the FY 1985 budget borrowing authority to fund initial development of fish passages and screening improvements at three irrigation dams on the Yakima River." Please describe the specific activities planned for the Yakima Basin in FY 1985.

Answer: BPA's planned activities for the Yakima Basin during FY 1985 include design and initiating the construction of fish passage improvements (ladders and screens) at four Yakima River Basin irrigation diversion dams: Sunnyside (USBR, operated by Sunnyside Valley Irrigation District), Wapato (BIA), Toppenish Creek/Satus Unit (BIA), and Horn Rapids Dam, Richland Canal (Richland Canal Co.). FY 1985 activities also include BPA funding for planning by the USBR for eight smaller projects to be constructed in FY 1986 and 1987.

BPA's FY 1985 budget contains $2 million for the Yakima Basin activities. This funding level represents $.5 million in revenue financing and $1.5 million in borrowing authority, estimates derived prior to the development of the accelerated work schedule in December 1983. It does not represent the full BPA commitment of funds which is still under consideration. The budgetary impacts of the accelerated schedule are being evaluated. If the revised estimates indicate a need for additional funding for these projects during FY 1985, appropriate notification for a budget modification will be made to the OMB and Congress.

QUESTIONS FROM SENATOR EVANS

MITCHELL ACT HATCHERY OPERATION AND MAINTENANCE

Question 48: BPA's budget request suggests that it assume funding responsibility beginning in FY 1985 for the operation and maintenance of the 24 Mitchell Act hatchery facilities, located in the Columbia River Basin. These hatcheries have been funded in the past through the National Marine Fisheries Service as part of the Columbia River Fisheries Development Program. The Bonneville Power Administration now requests $8.2 million to assume funding for the Mitchell Act hatchery facilities. To what extent do you believe the ratepayers of the Pacific Northwest should assume these costs? What is the estimated impact on rates of this proposal?

Answer: The BPA budget includes $8.2 million dollars for the operation and maintenance of the 24 Mitchell Act hatchery facilities in FY 1985. Ratepayer assumption of this cost is appropriate for several reasons. Hydroelectric development in the Columbia River Basin is an acknowledged cause of depleted salmon and steelhead runs. At the same time, the Mitchell Act hatchery facilities make the single largest contribution to the replacement of salmon and steelhead losses in the Basin. As Congress reaffirmed in the Northwest Power Act, it is appropriate for the beneficiaries of the hydroelectric system to bear the cost of mitigating the system's impacts on salmon and steelhead runs. In addition, the Mitchell Act hatchery facilities could play a critical role in accomplishing the Northwest Power Act objective of protecting, mitigating, and enhancing fish and wildlife of the Columbia River and its tributaries to the extent affected by the development and operation of hydroelectric facilities.

Funding the Mitchell Act hatchery facilities will not impact BPA's current wholesale power rates (fish and wildlife expenses are associated with generation and therefore do not impact BPA's transmission rates). Currently, no mechanism exists which would allow BPA to incorporate changes in fish and wildlife expenditures in the present rates. These costs will, therefore, have to be recovered in future rates established after July 1, 1985.

However, if BPA were able to incorporate these costs in the current rates, they would not have a significant impact. An $8.2 million obligation represents about a 0.3 percent increase in BPA's total annual revenue requirement. Because fish and wildlife expenditures mitigate impacts caused by hydroelectric facilities on the Columbia River and its tributaries, these costs are recovered from firm power purchasers that are allocated the cost of the Federal Base System. These purchasers include BPA's public agency and cooperative customers, Federal agencies, utilities participating in the section 5(c) residential exchange, and purchasers of firm capacity. The increase would correspond to about a 0.1 mill per kilowatthour increase in the Priority Firm rate (the current rate is 22.0 mills per kilowatthour).

QUESTIONS SUBMITTED BY THE MINORITY

SPR REORGANIZATION/RESPONSIBILITIES

Question 49: Many people are concerned about the state of management of the SPR, given the importance of that program. As we understand it, Assistant Secretary Vaughan is responsible for filling the SPR, Assistant Secretary Merklein is responsible for drawing it down, and Joe La Grone, Operations Manager at Oak Ridge is responsible for day to day operations. Also, we understand that there have been more than two dozen resignations from the New Orleans SPR office since the reorganization which moved control of operations from New Orleans to Oak Ridge. You have control of the SPR split in several directions, both managerially and geographically, and there is clearly a severe morale problem in New Orleans with the people who have the expertise to actually run the SPR program. Are you concerned about this situation?

Answer: There has been no change in the placement of authority and responsibility for recommending to the President when an SPR drawdown should be executed in a declared emergency. That responsibility continues to rest with the Secretary of Energy. In making such a recommendation, I will be supported by the Assistant Secretary for International Affairs and Energy Emergencies who has responsibility for overall energy emergency preparedness planning including the policy for use of the SPR in the event of an oil supply disruption or other national emergency.

Program management and policy responsibility for assuring that the SPR has the necessary drawdown capabilities rests with the Assistant Secretary for Fossil Energy. Execution of a physical drawdown of the SPR, in the event of an activation decision, is a field operations function that is the responsibility of the Manager, Oak Ridge Operations Office (ORO), who has overall responsibility for project management and implementation through the New Orleans Project Management Office.

Question 49 cont'd.

We are very concerned about the higher than normal attrition rate at the Project Management Office in New Orleans. There are many reasons for this attrition aside from the uncertainty that change always brings. A predominant reason is the comprehensive evaluation of the SPR personnel management program which took place in April 1983 (prior to the assignment of project management responsibility to ORO) by the Office of Personnel Management (OPM). As part of that review, OPM concluded that a significant number of positions were overgraded and identified additional positions suspected of being overgraded. While we have been successful in several instances in appeals to OPM, it is expected that there will be some grade adjustments throughout FY 1984 which will continue to contribute to morale difficulties. In addition to providing assistance to addressing the OPM findings, the ORO Manager has met with Project personnel in New Orleans and provided assurance that ORO has no plans to transfer positions or employees to Oak Ridge. The Project Management Office will remain in New Orleans with responsibility for day-to-day management of the SPR construction and operational activities.

QUESTIONS FROM THE MINORITY

SPR NEW ORLEANS OFFICE

Question 50. How many people have resigned from the New Orleans SPR office since the reorganization that gave control over operations to Oak Ridge?

Answer: There are now 140 Federal employees in the New Orleans SPR Office. Since the June 1983 reorganization, 8 employees of the New Orleans SPR office have resigned from the Federal Service. In addition to these resignations, 14 employees transferred to other Government agencies and 3 employees have retired since June 1983.

QUESTIONS FROM THE MINORITY

STRATEGIC PETROLEUM RESERVE

Question 51. Have you reviewed the portion of the Grace Commission Study which dealt with the SPR? They did not support the use of interim storage, but they appeared to support a fill rate of 220,000 b/d, did they not? They did not suggest nor recommend in their report that the fill rate should go below 220,000 b/d, did they?

Answer: The basic thrust of the Grace Commission analysis was that fill rates which require the use of interim storage are not cost justified. For FY 1983, the Commission recommended a fill rate of 220,000 barrels per day, which was achieved. The Commission did not specifically recommend a particular fill rate for FY 1984 or FY 1985.

QUESTIONS FROM THE MINORITY

Question 52: If you could avoid the imposition of price and allocation controls on the general economy in a severe oil supply disruption by allocating oil from the SPR, would you consider doing so? What differences do you see between the U.S. Government allocating money to sectors of the economy hardest hit in an oil supply disruption and the U.S. Government allocating its oil from the SPR to those regions which need it most?

Answer: By the use of the word "allocate," we understand the question to focus upon a scheme whereby the Federal Government would determine which segments of the economy or the oil distribution system are most in need and/or most deserving of receiving SPR oil during a disruption. Any such allocation system would require the Federal Government, in the first instance, to determine either (A) which ultimate consumers of petroleum products are most needy or deserving and then to figure out how to get SPR oil to them so that they can make their own arrangements for refining, or (B) identify which refiners or refineries are most needy and/or deserving.

Any such system or systems of allocation would require the government to have vastly more knowledge and insight than it possesses and sooner or later would require the government to develop its own notions as to what segments of consumers are most needy or deserving at particular points in time. Of necessity, a labyrinth of regulatory guidelines and regulations to administer the system would be required. That is basically the burden that the government assumed when it tried to adopt and administer allocation controls for the nation's entire supply of petroleum products during prior disruption periods.

Both the Congress and the Administration know now how cumbersome, ineffective and often counterproductive those attempts were. We believe that SPR oil, just like any other quantity of crude oil, can be most efficiently distributed throughout the economy if the market itself serves as the allocation mechanism.

We do not understand how government allocation of SPR oil would enable the nation to "avoid" general imposition of petroleum product price and allocation controls. The drawdown and auction sale of SPR oil, by tending to offset the shortfall of supply, necessarily would tend to reduce prices of crude oil and petroleum products. Therefore, the government's not allocating SPR oil would not be justification for general petroleum price controls. Furthermore, if the marketplace is permitted to serve as the allocation mechanism for SPR oil, those segments of the economy most in need of petroleum would be able to acquire it by paying the market price. In these circumstances, there would be no need for the government's allocating SPR oil, much less exercising general allocation controls.

The Administration is mindful that some individuals might suffer hardship during an oil emergency. However, it should be noted that a number of federal and state programs are in place to mitigate the impacts of high energy prices on low-income families, and that federal programs indexed to the CPI would automatically provide increased benefits to

many low-income and other groups should oil prices rise. This would be in addition to the benefit of lower oil prices resulting from a SPR drawdown. We have not yet determined whether any additional funding of existing programs or any new programs would be appropriate. An inter-agency group is presently studying this matter.

There is a significant distinction between allocation of SPR oil and Government provision of cash aid for distribution to selected needy individuals. Distributing money instead of allocating SPR oil preserves the efficiencies of market allocation of available oil supplies, while, at the same time, ameliorating adverse economic consequences the Government identifies for special attention. Such distributions of money to selected individuals as might occur does not result in the harm to the efficient operation of the oil distribution system that, as described earlier, would result from attempting Government allocation of SPR oil.

QUESTIONS FROM THE MINORITY

STRATEGIC PETROLEUM RESERVE

Question 53: What are your views on the recommendation of the Grace Commission Report that facilities, construction and operation of the SPR should become a GOCO (Government Owned Contractor Operated) activity?

Answer: The Department is actively seeking methods of reducing the number of separate contracts which need to be administered in conjunction with the management, operation, and maintenance of the Reserve. We expect to take steps over the coming year toward streamlining project implementation along these lines but have not made final decisions at this time.

QUESTIONS FROM THE MINORITY

STRATEGIC PETROLEUM RESERVE

Question 54: Is it true that OMB recently proposed that the quality of oil purchased in the future for the SPR should be downgraded so that sweet crude would comprise 24% of the oil instead of 35%? What happened to this proposal? Is this subject still under review? By whom?

Answer: The current plan for the mix of crude oil types in the Strategic Petroleum Reserve provides for approximately 35 percent low-sulphur (sweet) crude oil. This plan has not been changed although consideration has been given to alternative mixes of crude oil types. Within the Department of Energy, the Energy Information Administration, the Office of Policy, Planning and Analysis, and the Strategic Petroleum Reserve Office are cooperating on refinery modelling research to assist decisions concerning the types of crude oil to be stored at the Big Hill site. In addition, at the Secretary's request, the National Petroleum Council is undertaking a study concerning possible future trends in refining patterns and practices which bear on decisions concerning types of crude oil to be acquired for the Reserve.

QUESTIONS FROM THE MINORITY

IEA ANTITRUST DEFENSE

Question 55: It has been reported that the Department has been told by the oil companies that they cannot participate in certain activities of the International Energy Agency unless the limited antitrust defense provided by Section 252 of the Energy Policy and Conservation Act is extended. In the first session of this Congress you indicated that the President would veto such an extension if mention were made in it of price and allocation controls as had been proposed by Senator Metzenbaum.

a) Do you think that the IEA can function adequately during periods when oil markets are behaving normally without the Section 252 defense? What about periods when oil markets are substantially disrupted?

Answer: In keeping with the Administration's strong commitment to the International Energy Agency, we strongly support the extension until June 30, 1985 or beyond of Section 252 of the Energy Policy and Conservation Act (EPCA). This extension would provide the necessary legal protection for U.S. oil companies which voluntarily participate in the IEA emergency oil sharing system.

That system, as designed, is handicapped significantly without the active participation of the U.S. companies which had agreed to assist in implementing it. I am advised that certain U.S. companies have indicated that, during both non-emergency and emergency periods, they no longer will attend IEA meetings (such as those of the Industry Advisory Board) or submit data directly to the IEA during the lapse of EPCA Section 252. I also am informed that U.S. companies have indicated that, if

the IEA emergency system were activated, they will not provide industry expertise to the IEA (such as by participation in the Industry Supply Advisory Group), and some have indicated they are unlikely to submit voluntary offers without anti-trust protection. The absence of participation by U.S. companies in these respects is certain to harm seriously the efficiency of the system.

Question 55: b) Would you still recommend a veto of legislation extending Section 252 if that legislation contained Senator Metzenbaum's language?

The introductory paragraph to this question asserts I had indicated the President would veto an extension of EPCA Section 252 if the extension legislation contained allocation control provisions as had been proposed by Senator Metzenbaum. That assertion apparently is the predicate for this Question 55 (b), which asks whether I "still" would recommend a veto of such legislation. I do not believe I have stated to the Committee or to Members of the Congress either that the President would veto, or that I would recommend veto of, legislation extending EPCA Section 252 where the extension date was tied to enactment of standby price or allocation controls. However, the President has vetoed standby price and allocation authority in the past, and I certainly would not rule out making a veto recommendation in regard to any similar legislation.

Nevertheless, I have made clear that the Administration strongly opposes any legislation providing for standby federal allocation or price controls, or which would tie the duration of EPCA Section 252 to the enactment of such standby controls authority. The Administration continues to oppose strongly any such controls or control authority.

c) If so, please explain how you hope to obtain the participation of U.S. oil companies in IEA activities without Section 252.

Answer: The Department of Energy, in cooperation with the Departments of State and Justice, is preparing contingency plans in the event of an emergency during the lapse of EPCA Section 252. These plans include the transmission by DOE of company data to the IEA (pursuant to EPCA Section 254). We previously have indicated our belief that early use of the SPR in large volumes in the event of a serious oil supply disruption would be the best policy. To the extent such use of the SPR did not eliminate the supply obligations of the U.S. under the IEP, we would consider use of the authorities set forth in EPCA Section 251 for mandatory supply orders. While implementation of such contingency plans in the event of an emergency would go part-way toward enabling the IEA emergency

supply system to work, we presently do not believe such makeshift efforts are an adequate substitute for the voluntary participation by U.S. oil companies in the IEA emergency sharing system which would be facilitated by extension of EPCA Section 252.

d) Do you believe that the Metzenbaum language confers substantive authority to impose oil price or allocation controls?

Answer: Senator Metzenbaum's proposed language would extend EPCA Section 252 only to June 1, 1984, unless legislation were enacted providing the President with standby authorities to allocate crude oil and petroleum products for domestic use during an international oil shortage; if such legislation were enacted, Section 252 would expire on June 30, 1985.

e) If so, explain how.

f) If not, and presuming you consider the smooth functioning of the IEA to be important to the United States, why couldn't we live with these words in order that the mechanisms of the IEA will remain available?

Answer: In my view, the relevant issue concerning extension of EPCA Section 252 is whether the U.S. will continue to permit U.S. oil companies to participate in the IEA's emergency oil sharing system in a manner which will enable that system, as designed, to work. The Administration believes we should and that, therefore, EPCA Section 252 should be extended.

The issue of allocation or price controls (or even standby controls) logically is separate and distinct

from the issue of continued U.S. participation in the IEA and its emergency oil sharing system, and the latter issued also is separate and distinct from whether, assuming U.S. participation in the IEA, U.S. oil companies will be allowed to make the IEA system work efficiently. To the extent there is desire for public debate upon all or any of those issues, it should occur in a straightforward manner without causing resolution of one issue to become dependent upon resolution of any other.

I believe it is especially important to separate these issues in view of the adverse consequences of previous federal efforts to allocate and to determine the prices of the nation's petroleum and petroleum product supplies. I certainly would hope the Congress would refrain from future efforts of that kind.

While the "smooth functioning" of the IEA is important to the U.S., it is at least as important to this Administration that the domestic economy function as smoothly as possible. We would not want to jeopardize the ability of the U.S. economy to weather a

severe oil supply disruption by creating a mechanism for imposing upon the economy and citizens of the United States the burden of allocation or price controls which in the past have resulted in the subsidization of imports and the benefit of foreign producers while causing trade deficits and domestic market distortions and inefficiencies.

QUESTIONS SUBMITTED BY THE MINORITY

OIL OVERCHARGE MONEYS

Question 56: Your FY 1985 budget request contemplates funding of the Low-Income Weatherization Program and the Schools and Hospitals Weatherization program from a "Petroleum Overcharge Restitution Fund" to be established in the Department of Health and Human Services under legislation that has yet to be enacted, or, for that matter, transmitted to Congress.

56(a): How much money is currently available for such a fund? What is your estimate of the amounts that will become available to the fund in future fiscal years, assuming your legislative proposal is enacted?

Answer: As of December 31, 1984, approximately $420 million was being held in deposit fund escrow accounts. Potential additional overcharge recoveries over the next several years are estimated at approximately $5 to $6 billion. Based on historical trends it is estimated that 60-85 percent of amounts held in escrow will not be needed for direct restitution to injured persons and, accordingly, would be available to provide indirect restitution through the Petroleum Overcharge Restitution Fund.

QUESTIONS SUBMITTED BY THE MINORITY

OIL OVERCHARGE MONEYS

Question 56(b): How do these amounts compare with the amounts available in FY 1984 for the programs you intend to support from the Fund?

Answer: The amounts available in FY 1984 are:

Weatherization program -- $190 million;

Schools and Hospitals grants -- $48 million;

and HHS Low Income Home Energy

Assistance -- $1.875 billion.

QUESTIONS SUMBITTED BY THE MINORITY

OIL OVERCHARGE MONEYS

Question 56(c): When monies in the Fund are exhausted will the Administration support further appropriations to finance the relevant programs, or will these programs then be proposed for termination?

Answer: The Petroleum Overcharge Restitution Act legislative proposal, which would establish the Fund, includes a section that would authorize appropriations for the weatherization, schools and hospitals, and low income home energy assistance programs for FY 1985 through 1989 at the same level appropriated in FY 1984. It is too early to forecast what a future Administration might request for those programs in FY 1990 and beyond.

QUESTIONS SUBMITTED BY THE MINORITY

OIL OVERCHARGE MONEYS

Question 56(d): In view of the importance of these programs to those in our society who are least able to cope with high energy prices, wouldn't it seem prudent to simply appropriate the necessary amounts from general revenues and, when the authorizing legislation passes, rescind the unused budget authority? If not, why not?

Answer: Under our legislative proposal the three programs would be subject to the normal annual appropriation process as they have been in the past. The only difference is that the appropriated amounts would be derived from the Petroleum Overcharge Restitution Fund to the extent that there are assets in the Fund. If the Fund assets are insufficient to cover the appropriated amounts, the balance would be drawn from general revenues. The benefits flowing from establishment of the Fund as a source of funding for the three programs include reducing the amount of new budget authority required to carry them out, thereby reducing the burden on the taxpayers and narrowing budget deficits. Appropriating the funds and then seeking rescission would complicate and lengthen the process unnecessarily, and would create uncertainty and inconsistency as to the amounts needed to carry out the programs and as to the results of rescission process itself.

QUESTIONS SUBMITTED BY THE MINORITY

OIL OVERCHARGE MONEYS

Question 56(e): If the legislation to create this fund is not enacted will you request sufficient appropriations to make up the difference? Congressional staff were told in a recent budget briefing that if the legislation you describe is not enacted, then DOE will not seek to fund these programs from appropriated funds.

Answer: The President's FY 1985 budget request for the weatherization and schools and hospitals programs assumes enactment of the Petroleum Overcharge Restitution Act. If that legislative proposal is not enacted, we do not intend to request appropriations for those programs in FY 1985.

QUESTIONS SUBMITTED BY THE MINORITY

OIL OVERCHARGE MONEYS

Question 56(f): At a budget briefing the DOE General Counsel Ted Garrish stated that he believes that DOE already has the authority to fund the energy conservation grant programs using petroleum overcharge funds, but that he would recommend to you that DOE hold the funds in escrow until the legislation establishing the fund is enacted. Do you intend to follow that advice?

Answer: Yes, inasofar as it concerns amounts not needed to provide direct restitution to persons injured by overcharges. Our first priority is to attempt to identify and make refunds to those persons injured by the alleged overcharges.

QUESTIONS SUBMITTED BY THE MINORITY

OIL OVERCHARGE MONEYS

Question 56(g): Even if the legislation is enacted your budget book concedes that there might not be enough funds available to support these programs. The budget book says, "If receipts deposited into the fund are insufficient, the balance of the budget request for the Weatherization Assistance and Schools and Hospitals Grant programs will be derived from the general fund of the U.S. Treasury." What does this mean? Does this mean you would seek supplemental appropriations? How long would this take? How long can recipients wait for low-income energy assistance grants to pay heating bills?

Answer: Currently all amounts appropriated for the weatherization and schools and hospitals programs are derived from the general fund of the U.S. Treasury (general revenues). When the overcharge legislation is enacted, the amounts appropriated for these programs would be derived from the overcharge Fund to the extent of assets in the Fund. If the Fund assets are insufficient to cover the appropriated amounts, the balance would be drawn from general revenues. This aspect of the legislative proposal only deals with the source of monies that Congress appropriates for the programs. It is not intended to affect the total amounts appropriated, which would continue to be subject to the annual appropriation process. Accordingly, during the FY 1985-1989 period, it is anti ipated that the

Answer 56(g) (Continued)

President would request appropriations for the programs to be derived from the Fund each year in the annual budget process, not through a supplemental appropriation. Assuming that Congress continues to appropriate monies to carry out the programs, there would not be any effect on implementation of the programs as a result of this legislation. The amounts appropriated, whether derived from the overcharge Fund or general revenues, would be distributed to the States and then to the ultimate recipients in accordance with the current laws and regulations covering the programs.

QUESTIONS FROM THE MINORITY

FERC FEES

Question 57: Your FY 1985 budget request assumes FERC will collect $60 million in fees, annual charges and other revenues to offset a substantial portion of the cost of operating the agency.

a) How much did FERC actually collect from these same sources in FY 1983? How much has been collected so far in FY 1984?

Answer: In FY 1983, the FERC collected revenues totalling $15.3 million. The anomalous, low rate of 1983 collections was due to late billings for hydropower annual charges, which resulted in collections being shifted from FY 1983 to FY 1984. FERC projects that total collections for FY 1984 will be $45.1 million. Of this amount, $13.6 million was already collected by January 1, 1984.

b) Isn't the $60 million estimate predicated on the enactment of legislation by Congress to allow FERC to generate more revenue from fees?

Answer: Of the $60 million estimate, FERC estimates that $9 million is dependent upon legislation transmitted to the Congress in 1983. The balance, $51 million, is an estimate based on current authority of the FERC to collect fees and charges.

c) If that is the case, wouldn't it be more prudent to appropriate sufficient funds to operate all FERC programs for the fiscal year and provide in the legislation that the revenues be returned to the Treasury?

d) That is, does it make sense to have the cash flow of an agency like FERC, which must make timely decisions to permit the orderly operation of certain very important sectors of our system of energy supply, dependent on the rate and timing of receipts from fines and licensing applications? If this does make sense in your view, please explain how you envision management at FERC will plan their cash flow.

e) In the event that legislation permitting FERC revenues to increase is not enacted, or if, for any other reason, actual revenues are significantly below your $60 million estimate, what will be done to permit FERC to pay its bills?

Answer: I am informed that the appropriations language in the President's FY 1985 budget request will allow the FERC to fully implement its programs without interruption. Thus, the requested language would insulate the Commission programs from uncertainties associated with the rate and timing of receipts. This insulation is important to prevent any operational difficulties which would easily occur if the Commission's programs were largely dependent on the amount and timing of receipts from regulated companies. I am further informed that, to ensure a funding hiatus does not occur, the FY 1985 appropriation language must provide, as proposed in the President's budget, for the full availability of funds to cover the costs of FERC operations at the start of FY 1985.

QUESTIONS FROM THE MINORITY

NUCLEAR WASTE

QUESTION 58: Projected revenues for the Nuclear Waste Fund, which is supposed to provide for the implementation of the Nuclear Waste Policy Act of 1982, are substantially below the levels the Department estimated just last year. For example, projected annual revenues are:

for FY 1984, down by $138 million;
for FY 1985, down by $104 million;
for FY 1986, down by $96 million;
for FY 1987, down by $87 million,
relative to the estimates you published with the FY 1984 budget submission.

QUESTION 58A: What is happening to these revenues? Should we have confidence in the current estimates? To what precision?

ANSWER: The lower estimates of future revenues are directly related to lower estimates of the amount of electricity to be generated by nuclear power. The lower estimates for nuclear generation, in turn, are directly related to plant cancellations/deferrals resulting from (1) lower electricity demand forecasts and (2) utility financial or licensing problems.

For these reasons, estimates of future revenues are only as reliable as the estimates of future nuclear generation, i.e., projections of future electricity demand and plant cancellations/deferrals. Since neither of these two basic variables can be predicted with great precision, they must be reassessed and updated annually.

QUESTIONS FROM THE MINORITY

NUCLEAR WASTE

QUESTION 58B: At what point would the Department consider recommending an increase in the 1.0 mill per kilowatt hour fee that provides these revenues?

ANSWER: The Nuclear Waste Policy Act of 1982 established a fee of 1 mill per kilowatt hour for nuclear-generated electricity. The FY 1985 budget request assumed escalation of the mandated fee of 1 mill per kilowatt hour in order to provide the program in the near-term sufficient revenues to cover the obligational requirements. The NWPA also established the requirement for an annual review of the adequacy of the fee. While we plan to complete our review in July, it is DOE's objective to conduct the program so that the fee can be maintained at the 1 mill rate and the need to raise the fee for escalation will not materialize.

QUESTIONS FROM THE MINORITY

NUCLEAR WASTE

QUESTION 59: Please provide the Committee with a status report on the repository and the monitored, retrievable storage programs under the Nuclear Waste Policy Act. This report should include a schedule of decisions and actions that the Department expects to take during the next two fiscal years and a discussion of the uncertainties in each entry in this schedule.

ANSWER: Geologic Repository Deployment

In regard to the repository, the Department expects to take the following actions and/or make the following decisions during the next two fiscal years.

o Issue General Guidelines for Recommendation of Sites for Nuclear Waste Repositories (assuming NRC concurrence is received by the end of April 1984)	May 1984
o Nominate at least five sites and recommend three sites for detailed site characterization	January 1, 1985
o Initiate construction of at least one exploratory shaft or one of the recommended sites	March 1985-August 1985

o For the second repository, issue final regional characterization reports	January 15, 1985
o For the second repository, issue final area recommendation report and notify Governors of States with potentially acceptable second repository sites	October 1985

Monitored Retrievable Storage

The specific items to be included in the proposal to Congress consist basically of plans and designs. It was concluded in a June 1983 Report to Congress "Monitored Retrievable Storage Research and Development Report" (DOE/S-0021) that no research and development activities were needed to develop the MRS proposal. With the exception of architect engineering services, the basic resources needed by the Department to prepare the proposal were in place through its field office and contractor structure prior to passage of the Nuclear Waste Policy Act. Actions to secure architect engineering (AE) services were completed last year.

The AE is now developing 5 alternative site/design combinations required for the MRS

proposal using two storage concepts for three site types. A comprehensive comparison and evaluation of those concepts previously identified for MRS applications has been conducted to select the most appropriate concepts for further design by the AE. Candidate storage concepts were compared on the basis of their relative performance on each of seven criteria: safety and licensing, environmental impacts, flexibility, cost, concept maturity, socioeconomic impacts, and siting requirements. Major engineering firms familiar with the concepts normalized and evaluated conceptual designs for each concept to facilitate an equitable comparison. The evaluation also formed the basis for the Department's conclusion regarding R&D requirements. Based on this process the sealed storage cask and field drywell were selected in December for further design.

This evaluation was subjected to internal Department of Energy reviews by senior personnel familiar with the nuclear waste systems. In addition, the Department has secured the services of nationally recognized experts representing the scientific community, utilities, nuclear industry, State government organizations, and Congressional research staff to individually

review and critique the selection. These individuals will also be requested to assist the Department in this review capacity throughout the development of the MRS proposal.

For purposes of proceeding with development of site-specific designs prior to selection of an actual site, generic descriptions of three potential site-types, (an arid site, a wet warm site and a wet cold site) were prepared and provided as interim guidance for the architect engineer. The architect engineer is preparing designs in such a way as to allow a substitution of site-specific data when required.

The siting plan to be included as part of the proposal to Congress will delineate the activities and schedule for implementing the formal requirements applicable to potentially affected States, Indian tribes and local governments that apply to any MRS authorized by Congress.

The Department is also preparing an environmental assessment to accompany the MRS proposal to Congress. The appropriate design and site related data for the environmental assessment were identified early in the program to allow the

assessment to be completed for submission to Congress with the proposal. The environmental assessment, like the facility designs, is being developed using generic site characteristics so that it can be readily modified for actual locations.

In addition to the designs and the plan for siting, constructing and operating MRS facilities, the Act also requires that the proposal include a funding plan and an integration plan.

These plans are being developed in parallel with the facility designs and in cooperation with and consistent with the repository planning efforts.

All of the above activities will contribute to, and be the basis for, the proposal to be submitted to Congress by June 1, 1985. In addition, liaison with the Nuclear Regulatory Commission and Environmental Protection Agency will be maintained throughout the conduct of the program so that their advice and concerns can be factored into the proposal and to facilitate their final comments which will accompany the proposal.

Questions Submitted by the Minority

Acid Rain Research

Question #60: We understand that the DOE FY 1985 budget request contains a grand total of $66.06 million for work related to acid rain. Is that correct?

Answer: Yes, $66.06 million of FY 1985 DOE budget request are identified as work related to acid rain. Of this amount, $57,400,000 is contained in the Fossil Energy budget request.

Questions Submitted by the Minority

Acid Rain Research

Question #61: Of that total the DOE Fossil program contains $57.4 million of the DOE total for acid rain. Is that correct?

Answer: Yes, $57.4 million of the Fossil Energy FY 1985 budget request are identified as acid rain related work. The following funding profile gives a more detailed description of the Fossil Energy acid rain related activities.

Office of Fossil Energy

	(in thousands) FY 1983	FY 1984	FY 1985
Cleanup Technology/Coal Preparation			
Flue Gas Cleanup	7,000	8,100	14,025
Gas Stream Cleanup	10,000	7,000	4,975
Waste Management	2,900	2,900	2,000
Coal Preparation	8,000	8,000	11,150
Subtotal	27,900	26,000	32,150
Combustion Systems			
AFB Combustion	4,890	1,400	2,500
AFB Demo (EPRI/TVA)	—	—	15,000
PFB Combustion	12,542	7,500	5,000
Adv. Combustion Tech.	3,000	1,700	2,000
Subtotal	20,432	10,600	24,500
Acid Rain Task Force (Man-Made Sources Work Group)	300	260	750
TOTAL	$48,632	$36,860	$57,400

Questions Submitted by the Minority
Acid Rain Research

Question #62: However, just looking at the budget books and relying on briefings provided to staff it appears that a lot of that money is simply continuation of ongoing work, such as development of fluidized bed combustors. In fact, of the $57.4 milllion attributed to acid rain research in Fossil Energy it appears that this represents at most only about $8 million more than what is being spent on these same projects in FY 1984. Would you tell us how much additional money is contained in your budget for acid rain research over and above that included in FY 1984? Would you provide an item-by-item breakdown of what that new money will be used for?

Answer: The FY 1985 Department of Energy Budget request represents a strong research program in the development of energy technologies which also have the potential to significantly improve the cost-effectiveness of controlling acid rain precursor pollutants. More specifically, emphasis has been placed on research opportunities to cut the cost of reducing sulfur and nitrogen oxide emissions (SO_x/NO_x) from both existing and new coal-fired facilities. The DOE program activities are designed to develop control technologies that could result in less costly, more efficient coal-fired options than the conventional systems they would replace.

During the combustion of coal, the sulfur and nitrogen in the coal as well as some nitrogen from the combustion air are converted to sulfur and nitrogen oxides which are thought to be the primary precursors of acid rain. Research opportunities exist for directly reducing these emissions by cleaning the coal, by introducing combustion devices with inherently low emissions and by removing the SO_x and NO_x pollutants from the flue gas stream. These technology options which have the potential for directly reducing pollutant emissions are coal cleaning, control technology and combustion systems. Significant increases in the Fossil Energy budget for programs in these areas are proposed for FY 1985. Specific acid rain related initiatives have been proposed including:

1. Control Technology and Coal Preparation

Flue Gas cleanup ($5.2M) - This work is for development of a low cost, relatively modest system that is capable of being retrofitted to existing boilers, and is specifically intended to respond to acid rain concerns related to existing coal fired units.

Coal Preparation ($4.0M) - The increase in this area is due primarily to a new initiative to develop and test advanced physical cleaning systems which offer significantly improved sulfur and ash rejection and reduced Btu loss with improved economics. These advanced systems could result in SO_x reduction and performance improvements from existing coal-fired power plants.

Gas Stream Cleanup ($0.3M) - An effort is underway to investigate innovative new concepts for in-boiler process modifications which could result in lower SO_x and NO_x emissions. This effort will seek to identify techniques that are alternatives to the limestone solvent currently employed in EPA's Limestone Injection Multi-stage Burner (LIMB) process which is currently being readied for field demonstration.

2. Combustion Systems

Fluidized bed technology also has the potential to be used for repowering of existing coal, oil, or gas-fired boilers. In this application, FBC technology has the potential of being used as a SO_x and NO_x control device while at the same time extending plant lifetime and improving boiler efficiency. Increases in the FY 1985 budget in fluidized bed combustion include:

Fluidized Bed Combustion Demonstration ($15M) - This effort is for R&D activities associated with the TVA 160MW utility atmospheric fluidized bed combustion demonstration program.

Fluidized Bed Combustion ($1.1M) - The work in this part of the program is directed toward completion of the industrial size boiler data base and conducting research on advanced concepts with potentially lower capital/operating costs.

3. AR&TD

Environmental Activities ($0.49M) - This funding is directed toward increasing Fossil Energy's participation in the R&D program of the Interagency Task Force on Acid Precipitation (ITFAP); increasing Fossil Energy's contribution to the analyses being conducted to determine the characteristics of (1) existing utility and industrial combustor community, and (2) potential SO_2 and NO_x control devices.

Questions Submitted by the Minority

Acid Rain Research

Question #63: Given the priority which President Reagan apparently attaches to addressing the acid rain problem with adequate research before committing to an emissions control strategy, how do you justify a 22% cut in the budget for Fossil Energy Research and Development?

Answer: Given the suspected relationship between the combustion of coal and the precursors believed to be associated with acid precipitation, namely SO_x and NO_x, the focus of the Fossil Energy research budget request appropriately reflects the priority given to the acid rain problem. Significant increases in funding are requested for flue gas desulfurization, coal preparation, combustion systems and Fossil Energy's contribution to the Interagency Task Force on Acid Precipitation. The reductions in the Fossil Energy R&D program from FY 1984 to FY 1985 are primarily due to the completion of a number of large scale process development unit and pilot scale projects in the areas of coal liquefaction and gasification that are available for further development by the private sector.

QUESTIONS SUBMITTED BY THE MINORITY

MANAGEMENT INITIATIVES

Question 64: Your FY 1985 proposed budget assumes a savings in this budget of $96 million in management initiatives, is that correct?

Answer: The budget establishes savings targets, associated with management initiatives of $96 million to be realized in FY 1985. In addition the budget assumes that $47 million in savings will be realized in FY 1984. So in total the FY 1985 budget has been reduced by $143 million related to management savings.

QUESTIONS SUBMITTED BY THE MINORITY
MANAGEMENT INITIATIVES

Question 65: Your budget request assumes that this $96 million will be saved, so that to the extent that these management initiatives are not all successful then you will not have sufficient funds to carry out your programs, is that correct?

Answer: The Department is confident that it can achieve the total $143 million in management savings ($47 million in FY 1984 and $96 million in FY 1985). However, if we are not able to obtain all of those savings, we have proposed, as part of the budget, appropriation language which would adjust the amount of new budget authority to compensate for the shortfall if deobligation and/or IG audits do not fully materialize. This covers $94 million of the $143 million. The remaining savings relate to such items as procurement reform, administrative improvement, etc., and are allocated to individual programs.

We have done that to encourage program managers to help find these savings. If, however, it becomes evident that these savings cannot be realized and the programs are going to be adversely impacted, we will consider reprogrammings, transfers and/or supplementals as appropriate to alleviate the problems.

QUESTIONS SUBMITTED BY THE MINORITY

MANAGEMENT INITIATIVES

Question 66: Who initiated these management initiatives in your budget?

Answer: The inclusion of the management initiatives savings targets in the budget is a natural outgrowth of Administration efforts to improve governmental efficiency and economy through Reform '88 and the President's Private Sector Survey on Cost Control.

QUESTIONS SUBMITTED BY THE MINORITY

MANAGEMENT INITIATIVES

Question 67: If these management initiatives are not entirely successful then would you seek a supplemental appropriation to make up the difference?

Answer: The Department is confident that it can realize the management initiative savings proposed with the FY 1985 Budget. However the Department has proposed appropriation language which has two significant backstops in the event the management initiative savings do not materialize. The first is, that to the extent that Inspector General audit savings and deobligation savings do not occur the appropriation language automatically adjusts the new budget authority to make up the shortage. This is particularly significant since the preponderence of the savings relate to these initiatives.

The second backstop is that we have included additional appropriation transfer authority in our proposed appropriation language. This will give us greater flexibility to achieve the management initiative savings without impacting programs.

In summary, we believe that the high likelihood that the savings will materialize plus these backstop measures along with our traditional reprogramming authorities make the need for a supplemental very remote.

QUESTIONS SUBMITTED BY THE MINORITY

MANAGEMENT INITIATIVES

Question 68: We understand that the current attrition rate at DOE is 17%, is that correct? Do you consider that a large attrition rate? Doesn't attrition cost you a considerable amount of money in retraining new employees? Is there anything in your mangement initiatives that seeks to reduce the attrition rate?

Answer: The separation rate at DOE in Fiscal Year 1983 was 17%, which is the lowest rate the Department has experienced in the past five years. In view of declining employment levels both past and anticipated, retraining expenses for new employees are not a significant factor. The management initiatives do not include an initiative to reduce the attrition rate .

QUESTIONS SUBMITTED BY THE MINORITY

MANAGEMENT INITIATIVES

Question 69: Would you provide for the record a complete, detailed breakdown of what each of these ten categories of management initiatives are?

Answer: A detailed description of each of the management initiatives in the budget is attached.

DESCRIPTION OF MANAGEMENT INITIATIVES

ADMINISTRATIVE ORGANIZATION MANAGEMENT

This initiative reflects savings of $1.0 million in FY 1984 and $2.5 million in FY 1985 resulting from improved planning and control of organization structures within the Department of Energy. Elements of implementation of this initiative will include guidance to managers on improved organization planning and special reviews of existing and proposed organization structures focusing on supervisor to employee ratios, reduction in the number of levels of supervision, and overall staffing resource utilization. Savings are expected to be identified in all of the larger DOE organizations, both at Headquarters and in the field.

ADMINISTRATIVE SYSTEMS

This initiative reflects savings of $2.0 million in FY 1984 and $4.0 million in FY 1985 resulting from improvements in automatic data processing (ADP) utilization. These savings will be achieved through improved planning for acquisition and utilization of ADP systems, close monitoring of systems operations to insure maximum utilization of existing capacity, and consolidation of operations to allow for deferral of new systems acquisitions. These reductions will be available in those program areas making the most substantial use of ADP systems in the Department.

ADMINISTRATIVE PROCESS/FIELD STRUCTURE

This initiative reflects savings of $35.0 million in FY 1985 resulting from improved management of government owned, contractor operated (GOCO) facilities. This initiative involves improved utilization of private sector business practices by GOCO contractors through reduced procedural controls and heightened reliance on policy issuances and performance evaluation by the DOE Operations Offices. Cost initiatives for improved GOCO performance and reduction in reporting detail will lead to DOE management oversight at a higher level and to improved opportunities for innovation and implementation of new management processes by GOCO contractors. These savings will occur at all eight DOE Operations Offices and major contractors.

PAYROLL/PERSONNEL

This initiative will save $0.3 million in FY 1985 through continued expansion of the DOE automated system PAY/PERS. This system integrates both payroll and personnel record systems and provides economies of scale as well as improved accuracy and timeliness. Continued expansion of the system to cover additional DOE organizations will result in staffing resource savings in both the personnel and payroll administration functional areas, and further savings are anticipated in future years. Savings will also result from application of more refined workload standards to personnel support functions.

PROCUREMENT REFORM

This initiative reflects savings of $10.5 million in FY 1984 and $18.5 million in FY 1985 through a number of actions designed to improve the utilization and administration of the procurement system. $10 million in FY 1984 and $15 million in FY 1985 are associated with increased use of contract audit support by the Department's Inspector General during contract administration to expand audit coverage and increase recoveries. Expanded use of private sector contractors for accomplishment of commercial and industrial activities under OMB Circular A-76 account for $0.5 million in FY 1984 savings and $3.0 million in FY 1985 and improve the prospects for commercialization of research results. Changes in DOE patent policy to allow non-profit GOCO contractors to own the inventions resulting from their research will save $0.5 million in FY 1985. These savings are distributed throughout the programs and organizations of the Department.

CASH MANAGEMENT

This initiative reflects savings of $31.7 million in outlays in each of FY 1984 and FY 1985 based on improvements in billing and collecting receipts and in the disbursement of funds. These savings will occur due to increased use of electronic fund transfers for collection in the revenue producing elements of the Department, such as the Power Marketing Administrations, and for disbursements to contractors by the Operations Offices.

FINANCIAL SYSTEMS REFORMS

This initiative will save $34.0 million in FY 1984 and FY 1985 through improved management of the deobligation of multi-year funds. Deobligations may occur due to contract close-out, contractor defaults, or other instances of contractual dollar reductions, such as cost disallowances based on audit results. Under this initiative, such deobligations will be reported and evaluated to determine whether or not the funding should be retained in the program area where it was originally appropriated. If it is determined that there is no compelling reason to retain these funds in that program area, they will be deferred, if necessary (i.e., FY 1984 and previous years funding), and used to offset budget authority in FY 1985.

PRINTING/PUBLICATIONS

This initiative will save $1.1 million in FY 1985 through increased utilization of commerical facilities, rather than in-house plants to acquire needed printing and duplication services. Savings will occur in DOE Headquarters, the Bonneville Power Administration, the Albuquerque Operations Office and the Technical Information Center.

TRAVEL MANAGEMENT

This initiative provides for $0.6 million in savings for FY 1985 based on elimination of non-essential travel and the utilization of commercial travel agents rather than in-house staff. These reductions will be effected at Headquarters and at the Albuquerque, Chicago, and San Francisco Operations Offices.

QUESTIONS SUBMITTED BY THE MINORITY

MANAGEMENT INITIATIVES

Question 70: How was the decision made as to what contribution each of the energy programs would have to make in savings from management initiatives?

Answer: The allocation of management initiatives savings targets to individual programs depends on the nature of the initiative. Some initiatives define where the savings will be taken; the Printing and Publications initiative deals with closure or downgrading of specific printing plants where economic analysis shows significant savings are available. Other savings targets were allocated based on an assessment of the potential targets of opportunity under the specific initiative. Criteria for the allocations are dependent on the nature of the initiative. For example, cash management savings are allocated to programs with major receipts and outlays; organization improvement targets are allocated to larger organizations; and deobligation management savings are distributed among programs that tend to have unliquidated obligation balances.

QUESTION SUBMITTED BY THE MINORITY

ENERGY CONSERVATION

Question 71: Why are you not requesting any funds for the Energy Extension Service--after all, the Under Secretary of Energy has recently made statements about the need for technology transfer to get the energy conservation technology into the private sector.

Answer: The Department's technology transfer initiative has a high priority. We are reviewing methods of information transfer and developing options to increase the capability of the market to support development and availability of credible, accurate information on costs and benefits of energy efficient technologies and techniques. The Energy Extension Service is one of the several alternative vehicles that can be used to assist in the transfer of this information to specific users.

The FY 1985 budget does not contain funding for the Energy Extension Service because we believe it is a State responsibility to fund and operate such a service. The role of the Department's conservation and renewable programs will be to make available the information resulting from Federal R&D efforts to appropriate technology transfer agents or mechanisms which include State and local governments. The Department prefers to devote funds transferred to the States to programs which directly conserve energy through the installation of energy conservation equipment and supplies, thus enabling those recipients to improve their energy efficiency.

QUESTION SUBMITTED BY THE MINORITY

EPCA GRANTS

Question 72: Why are you requesting no funds for the EPCA grants to states programs?

Answer: The States are in the best position to judge the effectiveness of the EPCA programs and may continue them if they choose. On the other hand, the President's budget does include grant funding for other conservation activities implemented through the States. Those activities were selected for funding because they most directly provide for the conservation of energy through the installation of energy conservation equipment and materials, thus enabling those recipients to improve their energy efficiency.

QUESTIONS FROM THE MINORITY

SWEDISH USE OF ADVANCED HEAT PUMP CONCEPTS

Question 73: Last year a group of Congressional and executive personnel were invited to visit Sweden to see how the Swedes build energy efficient homes. The Under Secretary of Energy attended this trip. One innovation which the Swedes have is that they use heat pumps to heat their homes even in temperatures at which heat pumps in the U.S. switch to electric resistance heating. They achieve this by ventilating their homes to prevent indoor air pollution and using the waste heat from the living space in the ambient air for the heat pump. We understand that U.S. manufacturers do not even offer such a heat pump. Is the DOE doing any research on this use of heat pumps? Please explain.

Answer: DOE is aware of the Swedish innovation of using air exchanger exhaust for heat pump ambient air and of similar innovations in France. DOE is not doing any research in this application to heat pumps systems because the concept and technology are known and available to the marketplace. DOE is doing research on air pollution build-up in low infiltration homes and on air-to-air heat exchangers used for ventilation and simultaneous recovery of exhaust heat.

The heat pump exhaust recovery technology requires relatively moderate design modifications in order to be incorporated into conventional heat pump systems. If the use of ventilating systems becomes widespread in U.S. homes, heat pump manufacturers would be capable of modifying their systems to incorporate the innovation.

DOE has taken a lead role in facilitating the transfer of foreign-developed heat pump technology to the U.S. by helping to establish the International Energy Agency's Heat Pump Center. The Center, sponsored by seven countries, is designed to increase the information available to industrial, research and consumer groups. Sweden is a co-sponsor of the Center, and Swedish innovations in heat pump applications will be more widely available through the efforts of the Center.

QUESTIONS SUBMITTED BY THE MINORITY

IMPLICATIONS FOR THE DEFICIT

QUESTION 74: There are a number of items in your budget request which make rather optimistic assumptions about receipts, expenditures, or the passage of necessary legislation. The overall result is that the effect of the DOE budget on the FY 1985 deficit may be understated. For example,

(a) You rely on the passage of Petroleum Overcharge Legislation and the timely availability of overcharge funds to obtain as much as $238 million for energy conservation grants programs.

(b) You apparently rely on the passage of legislation permitting higher FERC fees for $60 million in receipts.

(c) Your budget assumes the effective implementation of 10 categories of "Management Initiatives" to save $96 million in program costs.

(d) You rely on receipts for the nuclear waste program totaling $378 million for FY 1985 which is $104 million less than what was estimated for FY 1984. The point is, these revenues are apparently quite volatile.

(e) You rely on revenues from uranium enrichment in FY 1985 of $1.675 billion when the U.S. appears to be priced high relative to foreign competition. In the last year you have revised you FY 1984 uranium enrichment receipts <u>downward</u> by $135 million.

Was the Department perhaps overzealous in attempting to formulate a budget that did not contribute even more to the President's proposed budget deficit? In short, is this really a realistic budget?

ANSWER: The budget estimates for the Department's budget for FY 1985 are the best ones that can be made with the knowledge we have at this time. The budget estimates were developed on a program-by-program basis, taking into consideration the status of implementation of each program, Congressional action that has taken place to date, and the policies proposed in the

President's budget. In several cases, such as FERC fees and the petroleum overcharge restitution legislation, the budget estimates are consistent with the Department's legislative program, as normally is done. Furthermore, the management initiatives are treated as normal budget proposals which are made as adjustments to the current services budget and are identified for individual appropriation accounts and program offices.

These budget estimates were made entirely independent of the overall deficit projections in the President's budget. Instead, the estimates for the Department's programs are the best ones that can now be made for the programs and policies proposed in the President's budget for consideration by the Congress.

QUESTIONS SUBMITTED BY THE MINORITY

GENERAL CONSIDERATIONS

QUESTION 75: Over half of the proposed FY 1985 DOE budget (52%) is devoted to defense and the request for the defense programs represents a 16% increase over the FY 1984 appropriations. What input did you provide in allocating the DOE budget as between defense and nondefense programs? How would you explain to the American people the necessity of a 16% increase in the DOE defense-related budget?

ANSWER: The allocation of FY 1985 budget resources to the Department's defense and nondefense programs was made on the basis of program requirements and a desire to achieve program goals. We believe this budget strongly supports both the defense and nondefense missions of the DOE. The budget for defense programs meets the requirements of the Department of Defense for the production of nuclear weapons and materials, as outlined in the Nuclear Weapon Stockpile Memorandum, approval by the President, for the research, development, and testing of new weapons, and naval reactor development. The Department of Defense schedule for weapons deployment has required an increase in our budget for weapons and materials production. Also, significant resources are proposed for security and safeguards measures at our weapons sites, and for upgrading our aging facilities.

QUESTIONS FROM THE MINORITY

URANIUM ENRICHMENT

Question 76: What assumptions underlie the revenue estimates for the Department's uranium enrichment program?

Answer: The uranium enrichment revenue estimate includes the sale of enrichment services for use in nuclear power reactors for foreign and domestic customers. Also included in this activity are the sale of Government Enrichment Services, advance payments received from customers, miscellaneous revenues related to uranium enrichment activities, and termination charges associated with the cancellation of commercial Separative Work Unit (SWU) purchases as detailed below.

FY 1985 Revenue Budget
(SWU in 000) ($ in Millions)

	SWU	$
Fixed Commitment Contract	9,681	1,307
Requirement Contract	437	59
Termination Charges	-	99
Commercial Subtotal	10,118	1,465
Advance Payments	-	(44)
Miscellaneous Revenue	-	9
Government Revenue	2,600	245.3
Total Revenue	12,718	1,675.3

Revenues in FY 1985 are estimated to be $1,675,300,000 from the sale of 10.1 million SWU's to commercial customers and 2.6 million SWU to Government customers.

QUESTIONS FROM THE MINORITY

URANIUM ENRICHMENT

Question 76: What assumptions underlie the revenue estimates for the Department's uranium enrichment program?

a) In particular, what is the dollar price per separative work unit for U.S.-supplied enrichment services?

Answer: DOE has not yet announced a price for the new United States Utility Services contract, but this contract has a $135 per SWU ceiling.

b) Please break this price down as to major components of cost. This breakdown should show how much is added to the cost of U.S.-supplied SWU's to cover construction costs of new uranium enrichment capacity, in particular the amount of the cost of Gas Centrifuge Enrichment (GCEP) capacity that is being carried by SWU's from each of the three gaseous diffusion plants.

Answer: The components of the $135 per SWU price are:

	Total	GCEP Portion
Power	$ 51.07	$ 0
Other Operating	19.05	7.60
Depreciation	8.74	4.44
Interest	41.89	18.86
All Other	14.25	0
	$135.00	$30.90

QUESTIONS FROM THE MINORITY

URANIUM ENRICHMENT

Question 77: Provide a comparison of the price of U.S.-supplied enrichment services with those of France and other significant enrichment suppliers, including suppliers in the so-called secondary market. In making this comparison please indicate how much of the differences among these prices can be accounted for simply by the weakness of other currencies relative to the dollar.

Answer: The current Department of Energy (DOE) prices for enrichment services are $138.65 per separative work unit (SWU) for Adjustable Fixed-Commitment contracts and $149.85 per SWU for Requirements contracts. DOE has not yet announced a price for the new United States Utility Services contract, but this contract has a $135 per SWU ceiling. Our competitors do not publically announce their prices. The best information available to us is that currently quoted prices by Eurodif, a French-led consortium, is about $100 to $115 per SWU; Urenco, a British, Dutch and German enterprise, is $115 to $130 per SWU. These prices are significantly impacted by the current exchange rates. The strengthening dollar in comparison to the European countries has resulted in the prices of our competitors being less than 50 percent of the prices that would be in effect if the 1980 currency exchange rates were in effect today.

QUESTIONS FROM THE MINORITY

URANIUM ENRICHMENT

Question 78: What precision do you attach to your estimate of revenues under the enrichment program? For example, in its FY 1984 budget submission the Department estimated uranium enrichment revenues at $2.240 billion for FY 1984. Your current estimate for FY 1984 is $2.105 billion, a difference of $135 million. Is this an indication of the precision of the FY 1985 estimate?

Answer: In the FY 1985 revenue estimate, 96 percent of the Separative Work Unit's (SWU) are of the Fixed Commitment type of contract, where the customer is contractually obligated to buy Department of Energy (DOE) SWU. Termination charges for partially terminating a Fixed Commitment delivery are severe, and has never taken place.

In the FY 1985 revenue estimate four percent of the SWU are of the Requirement contract type and these customers may terminate their SWU purchase up to the time of delivery. However, there is a termination charge penalty which increases as the date of delivery approaches.

The number of Requirement contract SWU's in the FY 1985 estimate represent less than 10 percent of the SWU needed by customers having Requirement type contracts. Thus, this is a conservative revenue estimate based on the best available information and recent market trends.

QUESTIONS SUBMITTED BY SENATOR EVANS

Sale of TVA Power by DOE

Question 79: On December 16, Senator Ford wrote to Secretary Hodel about the proposed sale of power purchased by DOE from the Tennessee Valley Authority. When do you intend to answer this letter? What is the reason for the delay?

Answer: An interim response was sent to Senator Ford on January 13, 1984. A reply has been delayed because the issues and questions raised are very complex and require substantial analysis. Rather than rushing to judgment, we are studying this matter carefully. We will provide a response as soon as practicable upon completion of this review.

QUESTIONS FROM THE MINORITY

BREEDER FACILITIES

Question 80: As we all know, the Clinch River Breeder Reactor Project has been terminated by action of Congress. For years, this project was the focus of an aggressive Federal program to develop and commercialize the technology to create useable nuclear fuel from readily available, naturally occurring elements.

The CRBR would have converted abundant uranium-238 into plutonium-239. This latter element, which does not otherwise occur in nature, can be used to produce energy through nuclear fission, and the technology would give us an essentially inexhaustible source of electricity.

I hope we continue to contribute to the development of such an energy source. Certainly the rest of the world - Japan, France, the United Kingdom, Germany - are committed to a demonstration of the technology. Here in the U.S. we have spent a lot of money on facilities - for example, in Washington State and in Idaho - for breeder research. As a result, we are the leader in many areas of this research.

With that backgound I would like to request the Department to provide the Committee with a thorough analysis of the options available to us to make the best use of these facilities and the work that has been done in the U.S. program to further the development of breeder technology. This analysis should describe what you are proposing in this budget submission along these lines, and the reasons why each of the options that are not included in this budget request were rejected.

Answer: The U.S. Breeder Reactor Base Program test facilities are recognized as the most sophisticated and capable test facilities of their kind throughout the world. They are currently being used by other nations as well as by non-breeder reactor U.S. programs to conduct advanced Research and Development (R&D). Experiments at these facilities for the Swiss, the Japanese, and the British are on-going or planned. Testing efforts are being conducted to support the Nuclear Regulatory Commission and the Electric Power Research Institute as well.

The President's budget identifies increased international cooperation as a major thrust of the Breeder Base technology program. We plan to further explore foreign interest in the areas of data exchange and increased use of our test facilities for advanced experiments, among other areas for foreign exchange. If successful, this initiative will assure full utilization of the test facilities and the acquisition of valuable and otherwise unobtainable data for the U.S. Base Technology program.

The Department is currently examining a restructuring of its fuels development program that will have a major impact on the operation of the Fast Flux Test Facility (FFTF) and on the Experimental Breeder Reactor II (EBR-II). The FY 1985 budget will support this option. Briefly, the revised program would "leap frog" the development of certain steel alloys intended as fuel cladding materials and go directly to an advanced alloy that has the promise of a much longer-lived fuel--one that can have a 3 to 5-year in-core residence time versus a 2-year in-core residence time. Work on this option will be started in FY 1984 and will continue in FY 1985. This option would use the FFTF to its maximum potential, and if successful, demonstrate a commercially viable fuel system in a much shorter time than currently envisioned.

In the early planning stages for the FY 1985 budget year, certain specific projects were proposed, examined, and rejected as either not cost effective or not needed at this time. None of these deferrals or rejections impact the program of international cooperation, high utilization of the test facilities, or our ability to pursue the restructured breeder reactor development program. Several options (a turbine addition to the steam generator test facility at the Energy Technology Engineering Center and the addition of electrical power generating capability at the FFTF, for example) were rejected as not essential to support the restructured program at this time.

QUESTIONS SUBMITTED BY SENATOR METZENBAUM

Question 81: As I understand it, your budget proposes to take $2 billion of oil overcharge money from the States, even though almost all of that money has been awarded by court or administrative rulings to the States on behalf of injured citizens.

Is that a correct interpretation of your budget proposal? Please explain.

Answer: Your interpretation is not correct. There have been no administrative or court awards of the magnitude you indicated that have completed the judicial process. In one pending case, known as the Exxon case, the court found overcharges amounting to almost $1.7 billion, determined that it was impossible to identify the injured persons, and ordered that the money be distributed to the States in accordance with the Warner Amendment (section 155 of Public Law 97-377). That decision, however, is being appealed by Exxon; accordingly, the States have not received the money.

Our legislative proposal, when it is enacted, could affect that court's distribution formula, but not its findings or determination. We believe that overcharges that cannot be refunded directly to injured persons should be made available to the States for distribution under the weatherization, schools and hospitals, and low income energy assistance programs. Our

proposal would achieve that result with respect to all future overcharge recoveries, which could amount to $5 to $6 billion.

QUESTIONS SUBMITTED BY SENATOR METZENBAUM

Question 82: Will the legislation you plan to submit attempt to override court rulings concerning how those oil overcharge funds should be distributed?

Answer: The legislation is intended to apply to an indirect restitution remedy in overcharge cases in which a court has rendered or renders a judgment in favor of the government and in which the amount determined by a court to be overcharges has not been paid and distributed as of the date the legislation is enacted. It is not intended to re-open any judgment which has been satisfied, i.e., one in which all appeals have been exhausted and the overcharges have been paid and distributed before the date the legislation is enacted. Nor is it intended to affect findings already made by a court as to whether overcharges occurred, and as to the possibility or practicability of identifying the injured persons.

QUESTIONS SUBMITTED BY SENATOR METZENBAUM

Question 83: If the oil overcharge funds are not made available for distribution by DOE during fiscal 85, will the Administration support funding through the regular appropriations process for the same programs (i.e. those programs which would be funded with the overcharge funds in your proposal).

A) If you do not propose to use general funds, are you proposing to eliminate all funding for these programs, or are you assuming that the Administration's total budget deficits will be increased to cover funding for those programs?

Answer: If the overcharge legislation is enacted, but the amount deposited in the Fund that it would establish is insufficient to cover the amounts appropriated for the weatherization, schools and hospitals, and low income home energy assistance programs, the balance of appropriated amounts would be derived from the general Fund of the U.S. Treasury. If the legislation is not enacted, the Administration does not plan to request appropriations for the DOE weatherization or schools and hospitals programs.

QUESTIONS FROM SENATOR METZENBAUM

REPAYMENT METHODOLOGY

Question 84: The Grace Commission has recommended that power marketing rates be adjusted so that the Federal investment is repaid in a timely manner. Specifically, it has recommended that the repayment study methodology used by the PMA's be abolished and replaced with a fixed amortization schedule. What is your position on that recommendation?

Answer: The Department agrees that power marketing rates should be adjusted so that the Federal investment is repaid in a timely manner. The Department is committed to the development of procedures and mechanisms that will ensure that the Power Marketing Administrations (PMAs) will achieve timely repayment of the federal investment in hydro electric generation and transmission. For example, the Bonneville Power Administration has recently taken a number of steps to improve its general repayment record.

BPA's new rates contain new design features intended to stablize BPA revenues against downturns in the northwest regional economy and variations in the consumption patterns of its largest customers. During the effective period of these new rates, November 1983 - June 1985, BPA intends to repay an estimated $236 million of interest deferrals and to pay amortization of $225 million to the U.S. Treasury. BPA is also initiating several financial practices that will enhance its ability to repay Treasury obligations. Together with cost control measures already implemented, these improvements should enable BPA to overcome problems cited in recent critical reports by the Federal Energy Regulatory Commission, the General Accounting Office and the Grace Commission.

As you know, BPA has been forced to defer interest payments to the U.S. Treasury in FY 1979, -1980, -1982 and the 1983. Because BPA has been constrained not to include a contingency in its rates, BPA has been poorly equipped to assure a stable stream of revenues during this severe recession in the pacific northwest. BPA has also borne uninterrupted cost increases in prior years, including the cost of constructing the net-billed Washington Public Power Supply System Projects. A bad water year in 1979 seriously reduced hydro power generation. As a result, BPA's deferral now totals approximately $236 million.

Under Department of Energy Order RA6120.2, annual interest repayment may be deferred temporarily; however, all deferrals must be repaid with interest before funds may be applied toward amortization of the federal investment. These deferrals are allowed within the existing repayment process and provide BPA with the flexibility to meet unforseen contingencies such as those described here.

After reviewing many alternative methods over several years, the PMAs believe that the current repayment methodology is a sound approach to determining their revenue requirements. It is important to note that if a change to a schedule of fixed payments of capital costs were made the PMAs would need some alternative source of short-term financing, other than deferral of Treasury payments, to provide the financial flexibility sufficient to overcome a shortfall in projected revenue.

The Department of Energy also believes it would be inappropriate to change to a fixed amortization schedule without considering other factors such as the repayment period. A maximum 50 year repayment period does not conform to generally accepted accounting principles or prevailing utility practices. Generally accepted accounting principles and common utility practices require that the costs of capital plant investments be amortized over their useful lives. The average useful lives of most of the generating plants operated by the Corps of Engineers and the Bureau of Reclamation, which make up the bulk of the capital investment which the power administrations recover, is 85 years. We therefore believe that any comprehensive proposal to change the system for recovering capital costs invested in power should consider using the average useful life of the facilities.

The record iterated here provides substantial evidence of the Department's concern that the federal power investment be repaid in a timely manner. Additional improvements are continually under study, but we believe that they would be difficult to implement at the current time.

QUESTIONS FROM SENATOR METZENBAUM

GRACE COMMISSION RECOMMENDATIONS

Question 85: The Grace Commission made a series of recommendations on the PMAs. Would you identify which of those recommendations you agree with and provide a timetable for implementing them? Would you also specifically identify which recommendations you oppose and provide an explanation for your position? Please refer to each recommendation by number.

Answer: DOE has already responded to several of the Commission's recommendations which were within administrative authority. We are continuing a dialogue with the State of Alaska regarding the potential sale of the Alaska Power Administration to the state, as was recommended by the Grace Commission (ENERGY 19-4). No firm timetable exists for accomplishment of the sale. The scope of review exercised by the Federal Energy Regulatory Commission over rates has been carefully redefined by Delegation Order 0204-108, issued by the Secretary of Energy on December 14, 1983 (ENERGY 19-2). In addition, the one-half percent cap on interest rate adjustments was removed on September 30, 1983.

The remainder of the substantive recommendations would require major changes in existing policies and practices.

QUESTIONS FROM SENATOR METZENBAUM

Question 86: The Luce Commission Report calls for a substantial Federal role in WPPSS. Do you support the Luce Commission proposal with respect to the federal role?

Answer: The Department believes that the Luce Commission Report could become a starting point for negotiations among interested parties that could lead to a settlement. The Department is still studying the Report and has no position on any of its recommendations at the current time.

QUESTIONS FROM SENATOR MATSUNAGA

TERRITORIAL ENERGY ASSESSMENT FINAL REPORT

Question 87: In December of 1982, the Department of Energy released its "Territorial Energy Assessment" which reported on the feasibility of developing renewable energy resources in the U. S. territories to reduce their costly dependence on foreign oil imports. That study made a number of recommendations for the utilization of renewables in the insular areas. Would you please provide the Committee with your general comments on the findings of the study and whether or not your Department has followed up on any of its recommendations or whether there are any plans to follow up? Would you also please indicate whether or not your Department has had any discussions with the Department of the Interior (the lead agency on the administration of the U. S. territories) on the Territorial Energy Assessment or worked in any way with Interior in relation to the energy problems of the territories?

Answer: In December 1982, DOE completed and sent to the Congress a two-year effort, the Territorial Energy Assessment Final Report, authorized by Section 604, P.L. 96-597, which resulted in the development of a comprehensive energy planning document for the U.S. insular areas. We believe that the Territorial Energy Assessment Final Report is the most comprehensive document of its type in existence today.

This study placed emphasis on the use of a number of commercially available energy technologies, and potential solutions are based on enhanced private sector involvement which is strongly supported and encouraged by this Administration. A principal objective of the assessment was the indentification of near-term, cost-effective, energy planning options using indigenous renewable energy resources.

We view the recommendations and analysis contained in our final report as points of departure and discussion. The decisions on specific technologies ultimately should be made by the island governments and their citizens.

The Department believes that it has successfully discharged its responsibilities mandated under P.L. 96-597. The final report has been made available to a wide audience both within and outside DOE. In addition, we have continued discussions with the Department of the Interior that began soon after the passage of P.L. 96-597 concerning the types of issues examined in the final report and have encouraged them to consider its recommendations in their discretionary funding decisions. We have offered our technical support in any way that might prove helpful in solving the energy problems of the insular areas.

We also participate regularly in the inter-agency committee established by Mr. Rick Montoya, Assistant Secretary Designate for Territorial and International Affairs at DOI, to review issues of import to the U.S. territories. Appropriate senior and staff level contacts are, by now, routine.

This Department also participated in the Conference sponsored by the Congressional Research Service on the energy problems confronting the U.S. insular areas which was held in May 1983. Our final report was the basis for this Congressional effort, the results and recommendations of which we understand are due to be published in the near future.

QUESTIONS FROM SENATOR MATSUNAGA

STRATEGIC PETROLEUM RESERVE

Question 88: With respect to the Strategic Petroleum Reserve (SPRO), at the 145,000 barrel-per-day fill rate proposed in your budget, would there be any necessity for so-called "interim storage" away from SPRO's present facilities? Undersecretary Pat Collins has indicated recently that the concept of regional storage is still under consideration by the Department. Can we assume, then, that while there may not be a need for interim storage given a 145,000 barrel-per-day fill rate, this doesn't necessarily mean that the concept of regional storage will likewise be placed on the back-burner?

Answer: The 145,000 barrels-per-day fill rate proposed in the Department's request for FY 1985 and future years is not expected to require use of interim storage facilities in any year.

As described in the Regional Petroleum Reserve report submitted to the Congress in December 1982 pursuant to the Energy Emergency Preparedness Act, the Department presently has no plans to depart from the policies of the two prior Administrations concerning centralized crude oil storage for the Strategic Petroleum Reserve. Under current circumstances, we believe that centralized storage is the most efficient and by far the least costly way to provide the benefits of Reserve development and use to all oil consumers. However, the Department is maintaining its periodic monitoring of trends in regional demand for imported oil to assure that our basic program design assumptions remain valid.

QUESTIONS FROM SENATOR MATSUNAGA

ENERGY TAX CREDITS

Question 89: This week, Washington Post economic columnist Robert Samuelson made the point that oil is a worldwide commodity whose supply and demand is governed by global forces; therefore, he wrote, the only protection against inherent hazards are "diversity and depth of supply sources." Since the U.S. trade deficit from oil constitutes anywhere from 80 to 90 percent of our entire trade deficit, have you had any discussions with Treasury Secretary Regan with respect to the need to encourage greater diversity in our Nation's energy supply and lessen our dependence on foreign oil by supporting an extension of energy tax credits? If so, would you be at liberty to elaborate on those discussions? If not, is there any chance that such a dialogue could be initiated given the crucial need to improve our energy position in the coming months and years and to address our trade deficit problem?

Answer: The Secretary of Energy has had discussions with Treasury Secretary Regan and many others in the Administration on energy tax credits and is continuing to discuss all types of incentives in the conservation and renewable area. The Department of Energy believes that energy tax credits help provide a mixed and balanced energy supply for the Nation by supporting the development of new industries that might not otherwise be competitive. Also, R&D spending helps facilitate the development of new technologies associated with a variety of fuels as well as energy conservation and renewable resources.

However, at the same time, there are other factors which must be considered such as concerns over the most efficient utilization of resources in the private sector and the impacts on the federal budget deficit.

QUESTIONS SUBMITTED BY SENATOR MATSUNAGA

QUESTION 90: While I understand that the Department's budget request contains continued funding for basic hydrogen research, I am concerned that there has been a de-emphasis on one crucial aspect of hydrogen fuel development--the use of renewable energy technologies for generation of hydrogen fuel. Clearly, hydrogen is not now a viable energy alternative and it will never fulfill its potential as the universal fuel of the future unless a less costly, less energy intensive method of producing the fuel is found. In my judgment, the answer to bringing the cost of hydrogen production down to competitive levels in the near term is abandoning the use of fossil fuels and concentrating on the use of renewable energy technologies. Would you please provide for the record what level of research is now being done on renewable energy generation of hydrogen fuel and if there are any plans for increased emphasis in this area?

ANSWER: The level of R & D support provided by the Department which focuses on renewable resource conversion to hydrogen include:

(1) Chemical Hydrogen Energy Storage Systems within the Office Energy Systems Research - Conservation

FY 84-$2.5 Million FY 85-$650,000

*(2) Photolytic/Photochemical conversion processes currently supported by Basic Energy Sciences

FY 84-$10.4 Million FY 85- $10.7 Million

(3) Solar Fuels and Chemicals process supported by the Division of Solar Thermal Technology

FY 84-$650,000 FY 85-$700,000

(4) Biomass Conversion

FY 84-$460,000 FY 85-0

The DOE R & D support as identified in the FY 1985 Presidential budget shows a decrease of $1.85 million in the Chemical Hydrogen Energy Storage Systems Program as well as a decrease of $460,000 in Biomass and relatively constant funding in the other programs.

There is no indication of increased funding in the Chemical Hydrogen Energy Storage Systems program or the Biomass program.

*This is generic research and is not entirely applicable to the generation of hydrogen fuel, per se. It includes other important research in this area, such as hydrogen fuel storage and hydrogen embrittlement of materials which relates, for example, to hydrogen transport in piping.

QUESTIONS SUBMITTED BY SENATOR MATSUNAGA

HYDROGEN RESEARCH

Question 91: With respect to the basic research on hydrogen being funded under the Department's budget, while I am pleased that there has been a continued commitment to such research, it has been my perception that the effort is not integrated or coordinated. For example, funding for hydrogen research does not appear as an individual line-item in the Department's budget; it is my understanding that it is funded through several programs and offices under DOE. In view of the circumstances, would you please provide the Committee with a detailed review of what research activities are now being funded by the Department, what their funding levels are, what the source of such funding is (what programs and offices within DOE), and whether or not there is any coordination among the research programs.

Answer: DOE is continuing a multi-year research and development program studying the generation, storage, transmission and use of hydrogen. These projects are coordinated through the Hydrogen Energy Coordinating Committee (HECC) which was organized in the Energy Research and Development Administration, and was continued when ERDA programs were incorporated into the Department of Energy. This committee functions to improve communications between various groups performing research related to hydrogen. The HECC holds meetings at which recent progress is reviewed, plans are exchanged, and a formal talk on a current topic of interest to hydrogen researchers is presented. Minutes of these meetings are prepared and distributed to attendees and other interested persons. In addition, the HECC publishes an annual summary of DOE hydrogen programs.

The following research illustrates the ongoing work in DOE:

Basic Energy Sciences (BES) FY 84 Budget— $16.7 Million

Office of Energy Research

The BES research relevant to the DOE hydrogen program is supported within three divisions: Chemical Sciences, Biological Energy Research, and Materials Sciences. The broad objectives of the research are to understand those

chemical, physical, and biological problems that are related to such topics as thermochemical, photochemical, electrolytic, and biological hydrogen production; hydrogen storage in hydrides; and materials problems resulting from hydrogen embrittlement. Also included is exploratory research on novel concepts related to hydrogen production.

The Chemical Sciences research related to thermochemical hydrogen production consists primarily of inorganic chemistry relevant to currently identified thermochemical cycles and the identification of new and improved approaches to thermochemically dissociating water.

The Biological Energy Research program explores hydrogen production in a variety of organisms (algae, bacteria, etc.). In this program, emphasis is on defining the mechanisms by which hydrogen is evolved and establishing quantitatively the parameters governing hydrogen production.

Chemical research on hydrides related to the storage of hydrogen includes synthesis, characterization, and property studies of various hydride systems. The chemistry of hydrogen interactions and transport in pure metals, alloys, and metal/nonmetal compounds is studied to aid in the design of materials with specified thermal and kinetic properties and increased potential for hydrogen storage.

Materials Sciences research efforts focus primarily on the effects of hydrogen on the properties of materials, the structure and behavior of hydrides, and hydrogen embrittlement studies.

Energy Systems Research (ESR)--FY 84 -- $2.5 Million

Conservation and Renewable Energy

The Chemical/Hydrogen Energy Systems Program sponsored by ESR includes projects in hydrogen production, storage/transport, and end-use. During FY 1983 the Program completed the transition from an emphasis on near to midterm applications type projects to a focus on the far term, high-risk/high-payoff research efforts. The total thrust of the R & D is toward the development of a technology base for hydrogen not tied to specific applications.

The key hydrogen project initiated in FY 1983 was the work at Westinghouse aimed at developing high temperature (1000°C) water vapor electrolysis. The advantage of this approach is that part of the energy for water decomposition is introduced as thermal input reducing the less efficient and more expensive electrical input.

The work in transport is concentrated on hydrogen embrittlement studies with both Battelle Columbus and Brookhaven National Laboratory investigating the effects of hydrogen on natural gas type pipelines. The critical limitations with regard to low cycle fatigue were quantified, and several additives that act as inhibitors to embrittlement were identified. Future work will define the mechanism that additives have in inhibition. In connection with the storage of hydrogen this office has recently been sponsoring a request for proposals soliciting new ideas for hydrogen storage. Brookhaven National Laboratory made substantial progress in the construction of its Integrated Test Bed facility and in the implementation of photovoltaics/electrolyzer project which will be the initial experiment. Construction of the facility was completed, the PV arrays were installed, and the GE SPE electrolyzer is being tested. The planning for cooperative follow-up projects involve several outside organizations including NASA, IEA-European industry, and Canadian research groups, as well as U.S. manufacturers.

In addition to the major activities described above, this office is heavily involved in the International Energy Agency contributing projects in the production, transport and storage areas.

Inertial Fusion (IF) FY 84 Budget— $2.3 Million
Defense Programs

In the inertial fusion process, energy is produced through the fusion of deuterium and tritium fuel contained in tiny glass or metal spheres referred to as pellets. The hydrogen-related research within the program consists of: (1) developing fabrication techniques for inertial confinement fusion pellets containing the hydrogen isotopes deuterium and tritium, (2) studying the physical and chemical properties of cryogenic deuterium and tritium, (3) determining the effects of deuterium and tritium on the strength of inertial confinement fusion pellet materials, (4) studying the permeation of deuterium and tritium through various fuel pellet shells at both elevated and room temperatures, and (5) determining the potential for using inertial confinement fusion to produce hydrogen.

Military Application (OMA) FY 84—$2.9 Million
Defense Programs

Research on hydrogen for military applications is continuing and can be expected to remain important for the foreseeable future. Information developed in the unclassified research projects may be of interest to other users of hydrogen. Research areas include compatibility and interaction of hydrogen with various materials, electrical properties of solid deuterium and tritium and ultrahigh pressure studies.

Solar Thermal Technology FY 84--$650,000

Conservation and Renewable Energy

The scope of hydrogen-related research in the Solar Thermal Technology program includes the development of thermochemical cycles for the production of hydrogen from solar heat sources. Particular emphasis is given to high temperature reaction driven by central receiver power sources, such as occur in the water-splitting sulfuric acid cycle, to produce hydrogen fuel.

Vehicle and Engine R&D (VEHD)-FY 84--$145,000

Conservation and Renewable Energy

For fueling highway transportation, hydrogen use has been investigated to the point of establishing data so engine specialists could design an optimized propulsion system and vehicle designers can determine how best to carry the fuel under basically unfavorable (bulk and weight) conditions.

Although hydrogen fuel projects are complete, investigations into hydrogen embrittlement and hydrogen permeability of high temperature alloys are being conducted as part of the Automotive Stirling Engine (ASE) program. The ASE uses hydrogen as a contained working fluid at high temperature (1500°F) and high pressure (2200psi). Emphasis is placed on identifying existing and developing new alloys whose strategic element content is minimal.

QUESTION SUBMITTED BY SENATOR MATSUNAGA

HYDROGEN RESEARCH FUNDING

Question 92: How long does the Department intend to continue hydrogen research funding at current levels? Is any consideration begin given to increasing the funding commitment toward this promising energy alternative in future years? Any time table?

Answer: Funding has been essentially constant over the last several years. The Department plans to continue hydrogen research with emphasis on basic research in FY 1985 at essentially the same level as previous years. As part of its annual planning and budget review, the Department assesses the progress and developments in hydrogen technology. The funding decisions for recommendation to OMB and the Congress are considered in light of the findings made during review. At this time, there is no consideration being given to increasing the funding in future years.

QUESTIONS SUBMITTED BY SENATOR BRADLEY

SOLID WASTE

Question 93. Would you agree that converting municipal urban waste-to-energy may be a particularly attractive way to address energy conservation and environmental protection?

Answer: Yes. The conversion of municipal waste-to-energy in the United States has the potential to contribute to the Nation's conservation and environmental goals. The U.S. currently discards approximately 150 to 160 million tons per year of municipal solid waste with a theoretical energy potential equivalent to about 300-400 million barrels of oil per year. Moreover, municipalities currently spend about 40% of their energy budget annually on wastewater treatment processes which currently consume approximately 0.2 quads of energy per year. U.S. industry and municipal governments have been quick to take advantage of these opportunities resulting in numerous commercial facilities for the mass burning of municipal waste to produce steam and the recovery of methane from landfills.

QUESTIONS SUBMITTED BY SENATOR BRADLEY

SOLID WASTE

Question 94: Have lower than expected oil prices dampened the enthusiasm for garbage to energy projects? Could you get me any information on progress in this area?

Answer: The enthusiasm for garbage to energy projects has not been diminished because of lower than expected oil prices. Rather, capital costs, siting considerations, and environmental concerns are major factors which have inhibited the construction of energy from municipal waste facilities. The main concern of municipalities is the disposal of garbage and wastewater sludge. Because land for such use has become scarce and expensive, municipalities are turning to energy from municipal waste projects for the disposal of their waste and at the same time recovering energy. Currently there are 42 operating facilities and 17 in the planning stage with a reasonable probability of being constructed.

QUESTIONS SUBMITTED BY SENATOR BRADLEY
URBAN WASTE

Question 95: Clearly, these projects will be economic as oil prices rise. What is your best guess about oil price paths and, therefore, when garbage to energy programs may be economic?

Answer: Currently, there are a number of operating facilities that are considered to be economical in that the energy revenues from the sale of the steam produced and fees collected for the deposit of waste (tipping fees) cover the debt service payment and the annual cost of Operation and Maintenance (O&M).

The reasons that other facilities are not considered economical are not related to the price of oil but are due primarily to other factors such as siting, limited nearby steam markets, inadequate supply and control of waste, poor facility design and high construction financing costs.

A change in the price of oil either up or down is one factor that could affect the tipping fee. Current tipping fees range from $0 per ton of waste deposited to approximately $30 per ton. These costs depend on the balance among revenue received from the sale of steam, the debt service and O&M costs.

QUESTIONS SUBMITTED BY SENATOR BRADLEY
URBAN WASTE

Question 96: Are you familiar with the Energy Security Act? In particular, Subtitle B, Title II? There is an authorization for garbage to energy loan guarantees. What are the prospects for funding a small program in this area as authorized by the Energy Security Act?

Answer: The Department is familiar with the Energy Security Act and its provisions, including Subtitle B, Title II. The funds appropriated for implementing the financial incentives and financial assistance provisions authorized by the Act were rescinded in 1981 with the approval of the Congress. The technical priorities cited within the Act are included in the proposed research programs which focus on liquid fuels.

At this time, there are no Departmental plans to provide loan guarantees or other financial incentives for waste-to-energy facilities.

QUESTIONS SUBMITTED BY SENATOR BRADLEY

URBAN WASTE

Question 97: Is there still a DOE office for urban waste? Please describe their function in detail. Would they be the office to implement any garbage-to-energy loan guarantee programs?

Answer: The Division of Energy from Municipal Waste has the primary function of conducting basic and applied research in mechanical, thermal and biological technology areas. The office manages research activities in bioconversion, fundamental combustion characteristics, advanced material processing and research in environmental concerns. In addition, the office also has a primary responsibility for technology transfer activities.

Since there is no garbage-to-energy loan guarantee program, the Department has not considered where such a program would be assigned.

QUESTIONS SUBMITTED BY SENATOR BRADLEY

SPR

Question 98: Under current law what is the minimum required fill rate for FY 85 -- isn't it 300,000 b/d?

Answer: No.

These issues pertain to the requirements imposed by section 160(c)(1) of the Energy Policy and Conservation Act (EPCA), 42 U.S.C. §6240(c), as amended by the Energy Emergency Preparedness Act of 1982, Pub. L. 97-229. The meaning of the requirements imposed by section 160(c)(1) was analyzed in detail in a written opinion of the Department's General Counsel dated October 25, 1982, a copy of which is enclosed. The General Counsel's opinion concluded that when the SPR's fill rate is held below 300,000 barrels per day by appropriation constraints, no Presidential finding is necessary to suspend the 300,000 barrel per day fill mandate indicated in EPCA section 160(c)(1)(B). This is because all of the fill rates mentioned in section 160(c)(1), including the 300,000 barrel per day rate in paragraph (B), are imposed subject to the availability of sufficient appropriations to achieve them.

The appropriations now available for SPR fill are not adequate to accomplish a fill rate of 300,000 barrels per day during fiscal year 1984. Our present calculation is that an average SPR fill rate of 186,000 barrels per day can be attained in this fiscal year, after allowing for a carry-forward into fiscal year 1985 of funds needed to sustain the SPR's oil purchase program. The Department's plans thus are consistent with fulfillment of the maximum practicable fill rate permitted by the available appropriations. No more than this is required by law. Accordingly, no Presidential finding or report would be required in regard to filling at a rate which is less than 300,000 barrels per day during fiscal year 1984.

The General Counsel's 1982 opinion also pointed out that if the maximum practicable fill rate for a fiscal year changes in the course of that year (e.g., due to subsequent appropriations), the President could act at that time to determine the mandatory SPR fill rate for the entire year.

The question we have been asked, however, concerns fiscal year 1985 rather than the present fiscal year. By its terms, EPCA section 160(c)(1) applies on a year-by-year basis, and not to future fiscal years.

Section 160(c)(1)(B), concerning a Presidential finding that the 300,000 barrel per day rate is not in the national interest, provides:

> Any finding by the President under this subparagraph takes effect on the date such finding is transmitted to Congress and ceases to have effect at the end of the fiscal year in which such finding was made.

Thus, there is no question at this time of a need for a Presidential finding with respect to fiscal year 1985, to suspend a 300,000 barrel per day 1985 fill requirement, and that fill rate presently is not legally applicable to fiscal year 1985.

Enclosure

Attachment: Question 98
QUESTIONS SUBMITTED BY SENATOR BRADLEY
SPR

Department of Energy
Washington, D.C. 20585

October 25, 1982

MEMORANDUM FOR Acting Under Secretary

FROM: General Counsel

SUBJECT: Presidential Finding Concerning Strategic Petroleum Reserve (SPR) Fill Rate

The Energy Emergency Preparedness Act of 1982 (EEPA), Pub. L. 97-229 (August 3, 1982), amended section 160(c) of the Energy Policy and Conservation Act, 42 U.S.C. §6240(c), to read as follows:

> (c)(1)(A) The President shall immediately undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities, to the extent funds are available pursuant to section 167(b)(2) and (b)(3), at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least the minimum required fill rate until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 500,000,000 barrels.
>
> (B) Subject to subparagraph (C), the minimum required fill rate shall be 300,000 barrels per day for purposes of subparagraph (A), unless there is in effect a finding by the President in his discretion for good cause that compliance with such rate would not be in the national interest. Any finding by the President under this subparagraph takes effect on the date such finding is transmitted to the Congress and ceases to have effect at the end of the fiscal year in which such finding was made. Any such finding transmitted to the Congress shall include a statement of the facts upon which the finding is based. Any such finding shall not be subject to judicial review.

(C) The minimum required fill rate shall be 220,000 barrels per day for purposes of subparagraph (A) during the period in which any finding by the President under subparagraph (B) is in effect.

(D)(i) If funds are available in any given fiscal year after fiscal year 1982 to achieve an average annual fill rate higher than the minimum required fill rate in effect under subparagraph (C), the minimum required fill rate shall be the highest practicable fill rate achievable, subject to the availability of appropriated funds.

(ii) The Impoundment Control Act of 1974 (31 U.S.C. 1400 and following) shall apply to funds made available under section 167(b) and (e).

(2) After the Strategic Petroleum Reserve reaches a level of 500,000,000 barrels, the President shall immediately seek to undertake, and thereafter continue, petroleum products acquisition, transportation, and injection activities at a level sufficient to assure that the petroleum products in the Strategic Petroleum Reserve will be increased at an average annual rate of at least 300,000 barrels per day until the quantity of petroleum products stored within the Strategic Petroleum Reserve is at least 750,000,000 barrels.

Thus, if sufficient appropriations are available, as specified above, the President is directed to fill the SPR at a rate of 300,000 barrels per day unless he transmits to the Congress a finding that such a rate would not be in the national interest, in which case the fill rate is to be 220,000 barrels per day.

We have been asked two questions: first, whether in the absence of a Presidential finding against the higher rate, section 160(c)(1)(B) would require that the SPR be filled at a rate of 300,000 barrels per day; and second, whether the President may make a finding applicable to the period preceding his transmitting it to Congress. In our opinion, because the fill rate curfently is held below 300,000 barrels a day by appropriation constraints no Presidential finding now is required to avoid the 300,000 barrel per day requirement. It also is our opinion that the President may make the finding described in section 160(c)(1)(B) effective for the period prior to its transmission to Congress.

The various minimum fill rates established in section 160(c)(1) all are imposed subject to the availability of sufficient appropriations; thus subparagraph (B) establishes a minimum required

fill rate of 300,000 barrels per day "for purposes of subparagraph (A)", which subparagraph calls upon the President to achieve the specified rates only "to the extent funds are available pursuant to section 167(b)(2) and (b)(3)". The extent of availability of funds for purposes of SPR fill is governed by the recently enacted Continuing Resolution, Pub. L. 92-276 (October 2, 1982), section 101(b) of which appropriates for the SPR such amounts as may be necessary for its continuance "at a rate to maintain current operating levels". Since the Continuing Resolution makes available insufficient funds to increase the oil in storage in the SPR at an annual average rate of 300,000 barrels per day, it does not have the effect of imposing a current requirement to fill the SPR at the 300,000 barrel per day rate; therefore, no Presidential finding presently is necessary in order to obviate such a mandate.

Even if the available appropriations were greater, it would be permissible to await enactment of a subsequent appropriation before determining the mandatory SPR fill rate. Section 160(c)(1) establishes various minimum required fill rates which are calculated on the basis of an "average annual rate". The Conference Report on the bill which was to become the EEPA, H. Rep. No. 97-663 at page 12, explains that, "the use of the term 'annual' in subsection (c) is intended to refer to the fiscal year." Senator Jackson, the Ranking Minority Member of the Committee on Energy and Natural Resources, further indicated that the requisite fill rate must occur "in a given fiscal year...averaged over that fiscal year...." 128 Cong. Rec. S. 9488 (July 30, 1982). Thus it appears that the minimum fill requirements pertain to the average achieved over a full fiscal year, rather than to varying rates during separate segments of that fiscal year.

We infer from the fact that Congress contemplated calculation of the fill rate on an annualized basis, that the President may act at any time to adjust the fill rate for the fiscal year in question consistent with the requirements of section 160(c)(1)(B). The contrary conclusion, that he only could adjust the fill rate for the period from the time of transmittal of his finding forward, would mean that to reduce the rate to 220,000 barrels per day for an entire fiscal year he would have to act before the year began or on the first day of the fiscal year. But acting prior to commencement of the fiscal year seems prohibited by the provision in section 160(c)(1)(B) stating that any finding shall cease to have effect at the end of the fiscal year in which it is made. And it hardly seems likely that if Congress had intended to require the President to act only on October 1, it would have chosen such an indirect method of so limiting the President's scope. The unreasonableness of this position is also made apparent by the present situation. Because of the terms of the Continuing Resolution,

the minimum required fill rate is today less than 300,000 barrels per day. Yet if the President were required to act on October 1 only, the statute would require the President, should he believe a 300,000 barrel per day rate not in the national interest for the fiscal year, to act either unnecessarily or on the basis of speculation about future appropriation levels.

We have considered the contrary argument, that the language in section 160(c)(1)(B) providing that the President's finding takes effect when transmitted contemplates reduction to the 220,000 barrel per day level only for the part of the year remaining. But this interpretation of the effectiveness provision would put it at odds with the rest of the statute governing the minimum fill rate, as previously described. It is, of course, a maxim of statutory construction that a statute should be construed to give effect to and harmonize all its parts. 2A Sands, Sutherland on Statutory Construction §46.05 (4th ed. 1972). The statute can be so construed only by interpreting the provision in question as meaning that the President may make a finding that the 300,000 fill rate is inconsistent with the national interest in a given fiscal year, effective according to its terms, viz., for the entire fiscal year, regardless of when he transmits it to Congress.

R. Tenney Johnson

cc: Robert Odle
William Vaughan

QUESTIONS FROM SENATOR BRADLEY

STRATEGIC PETROLEUM RESERVE

Question 99: The President's budget request is intended to support a fill rate of only 145,000 b/d, a 22% cut in the fill rate from FY 1984 and a rate which is less than half that required by current law. Is that correct?

Answer: The President's budget request provides for a Strategic Petroleum Reserve fill rate of 145,000 barrels per day in FY 1985. The Department believes that this budget request is consistent with provisions of the Energy Emergency Preparedness Act of 1982 which make the Reserve fill rate requirements contingent on the availability of funds.

QUESTIONS FROM SENATOR BRADLEY

STRATEGIC PETROLEUM RESERVE

Question 100: Your budget justification book on page 149 states that the Administration plans to fill the SPR at a rate of 145,000 barrels per day in FY85 in view of the cumulative fill to be achieved in FY84 and in view of "the improvements in the domestic and international energy supply situation..." Last week you told this Committee that you expect an oil supply disruption might be as small as the sinking of a single ship. What improvements in the domestic and international energy supply situation have occurred since passage of the FY84 budget to convince you that we can slow down the fill rate of the SPR to the lowest level since the Reagan Administration took office? For example, the latest Weekly Petroleum Status Report indicates that stocks of crude oil and petroleum products (excluding the SPR) are at their lowest level since the mid-1970's.

Answer: The plans for the development of the SPR are based on a multi-year review of trends in the international oil markets, as well as the long-term budget outlook and program management considerations.

The selection of a 145,000 barrels per day fill rate for FY 1985 reflects the Administration's view of the appropriate balance among several factors, including the value of the protection afforded by a larger SPR inventory, the need for fiscal responsibility, and prudent program management considerations. The SPR now contains over 386 million barrels of oil, approximately 90 days of our estimated 1983 net oil imports. In addition to the SPR, there is substantial additional unused oil and gas production capacity worldwide that could become available should an interruption occur. For example, the current and projected world oil market conditions indicate there are approximately 10-12 million barrels per day of unused sustainable oil production capacity including approximately four to five million barrels per day that do not have to transit the Strait of Hormuz, and there are substantial quantities of deliverable natural gas available in North America--perhaps up to four trillion cubic feet.

We also need to consider U.S. preparedness levels vis-a-vis other major oil importing nations. The U.S. today has far greater strategic petroleum stocks than any other major importing nation. While we want to ensure the U.S. has adequate protection, we must also assure that each major importing nation carries its fair share of insurance against petroleum supply interruptions.

The budget plans for FY 1985 were developed in this longer range context. For example, the Administration stated its intention in a letter from OMB Director Stockman and Secretary Hodel last summer, prior to enactment of the FY 1984 appropriations, to propose a fill rate of 145,000 barrels per day for FY 1985.

Excluding the Strategic Petroleum Reserve, primary petroleum stocks are indeed lower now than they were, say, in 1979. However, due to the reductions in consumption and imports which have taken place in the past few years, these stocks represent a greater period of potential supply. For example, total commercial stocks at the beginning of 1984 were about 1.1 billion barrels, which represent nearly 70 days of projected first quarter consumption and over seven months of projected net imports. The 1.2 billion barrels of stocks at the beginning of 1979 represented less than 60 days of forward consumption and about 5 months of net imports.

More importantly, however, over 300 million barrels of crude oil have been added to the Strategic Petroleum Reserve since early 1979. When total primary stocks, which include both commercial inventories and the SPR, are considered, the 1.5 billion barrels at the beginning of 1984 represent over 90 days of projected forward consumption and over 9 months of projected net imports. This compares with a little over 60 days of consumption and less than 6 months of imports for the 1.3 billion barrels in storage at the beginning of 1979.

As I indicated previously to the Committee, a supply disruption could occur at any time. However, I believe that we are better prepared to respond effectively to a disruption than we have been in a long time and that our FY 1985 budget request concerning the SPR would provide for substantial further improvement in our preparedness capability.

QUESTIONS FROM SENATOR BRADLEY

STRATEGIC PETROLEUM RESERVE

Question 101: In arriving at the decision to request funding for a fill rate of only 145,000 b/d did you do any analysis to justify that fill rate or was this simply a budget decision?

Answer: The selection of a 145,000 barrel-per-day fill rate for FY 1985 reflects the Administration's view of the appropriate balance among several factors, inluding the value of the protection afforded by a larger SPR inventory, the need for fiscal responsibility, and prudent program management considerations. The SPR now contains over 386 million barrels of oil, approximately 90 days of our estimated 1983 net oil imports. In addition to the SPR, there is substantial additional unused oil and gas production capacity worldwide that could become available should an interruption occur. For example, the current and projected world oil market conditions indicate there are approximately 10-12 million barrels per day of unused sustainable oil production capacity of which approximately four to five million barrels per day do not have to transit the Strait of Hormuz, and there are substantial quantities of deliverable natural gas available in North America.

We also need to consider U.S. preparedness levels vis-a-vis other major oil importing nations. The U.S. today has far greater strategic petroleum stocks than any other major importing nation. While we want to ensure the U.S. has adequate protection, we must also assure that each major importing nation carries its fair share of insurance against petroleum supply interruptions.

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QUESTIONS FROM SENATOR BRADLEY

STRATEGIC PETROLEUM RESERVE

Question 102: In vetoing the Standby Petroleum Allocation Act on March 20, 1982, (a decision I agreed with, by the way) President Reagan noted that the Administration "continues to add to the Strategic Petroleum Reserve as fast as permanent storage becomes available." Does your proposed fill rate for FY 85 represent filling as fast as permanent storage becomes available? What fill rate would constitute filling as fast as permanent storage capacity permits?

Answer: The 145,000 barrel-per-day fill rate proposed for FY 1985 and future years will nearly fill permanent capacity as it becomes available. Not more than 5 percent of storage capacity would be unfilled in any one year. This provides a measure of program flexibility should some unforeseen circumstances arise.

Filling the Reserve at 186,000 barrels per day in FY 1984 will result in end-of-year fill of 429 million barrels (MMB). By the end of FY 1985, the Department expects permanent storage capacity to reach approximately 496 MMB, which would accommodate an oil fill rate of slightly less than 184,000 barrels per day during FY 1985.

Since the President's statement in 1982, the Department has increased its projections of future permanent storage capacity for the Reserve. In four of the seven fiscal years after 1983, the Administration's current plans will actually result in higher SPR cumulative inventory levels than those which would have been achieved under the permanent capacity projections made in early 1982. At the end of FY 1985, the Reserve inventory level under current plans will be 26 MMB or over 5 percent larger than the permanent storage forecasts in early 1982 would have accommodated. In no year will the Reserve inventory be as much as 2 percent below the 1982 forecasts. Placed in this context, the Administration's current plans for future Reserve growth do not represent a meaningful departure from its plans of two years ago.

QUESTIONS FROM SENATOR BRADLEY

STRATEGIC PETROLEUM RESERVE

Question 103: The Saudis have in a period of only a few weeks built a floating storage capacity of some 45 million barrels of oil. We understand that they are filling their floating reserve at 600,000-700,000 b/d, which indicates their level of concern about the situation in the Persian Gulf. This compares to the Administration's projected rate of 145,000 b/d for the SPR. How is it that they can justify such a high fill rate while the Administration's proposed fill rate is so low?

Answer: It is not clear that the major purpose for Saudi Arabian use of floating storage is stockpiling. It may well be a marketing action or possibly that Saudi Arabia is seeking to achieve a higher crude production rate in order to sustain natural gas production for domestic use. The floating storage concept permits this higher rate without adding directly to the current world crude oil surplus and thus risking a further decline in spot prices below the OPEC marker. It also provides market flexibility and increases oil stocks worldwide.

As an oil exporter, Saudi Arabia faces different oil stockpile economics than does the United States. Higher rates of SPR storage by the United States place upward pressures on foreign trade deficits and Federal Government borrowing requirements, negative effects which Saudi Arabia does not experience in stockpiling its own oil. The Saudis incur only a small production cost and shipping cost per barrel, whereas the U.S. incurs the total cost of oil per barrel, including transportation. In addition, the United States now has over 90 days worth of net oil imports (based on 1983 import data) in SPR storage. The combination of SPR oil and working commercial inventories presently represents over 120 days of U.S. net imports based on EIA's estimates of minimum operating levels.

Therefore, we do not believe that the Saudi Arabian floating storage effort indicates a need for a change in the Administration plans for filling the SPR.

QUESTIONS FROM SENATOR BRADLEY

STRATEGIC PETROLEUM RESERVE

Question 104: As you know, the Appropriations Conferees for the FY 84 SPR budget expressed their expectation that the program would be founded both in FY 84 and FY 85 so as to fill the SPR to available capacity in each of those fiscal years. How much funding in addition to your FY 85 budget request would be required to do that in FY 85, assuming an advance procurement for 6 months in FY 86?

Answer: Permanent storage capacity is projected to reach 496 MMB by the end of FY 1985, or 14 MMB more than the planned fill level under the President's budget. This additional oil would cost approximately $430 million under the Administration's current oil price projections and only offer the equivalent of about three more days of imports based upon projected U.S. net import levels for 1984. During FY 1986, permanent capacity is expected to grow by 52 MMB, accommodating an oil fill rate of slightly less than 145 MMB, suggesting the possibility of slightly lower advance orders to achieve six months forward purchase. On a net basis, an increase in the FY 1985 appropriation to the Strategic Petroleum Account from the requested $1.89 billion to approximately $2.30 billion would be required.

PROPOSED FISCAL YEAR 1985 BUDGET REQUEST

THURSDAY, FEBRUARY 9, 1984

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:15 a.m., in room SD-366, Dirksen Office Building, Hon. James A. McClure, chairman, presiding.

Present: Senators McClure, Domenici, Warner, Evans, and Metzenbaum.

Also present: Richard D. Grundy, budget officer; E. David Doane, deputy chief counsel—energy; Gary Ellsworth, deputy chief counsel—natural resources; Tony Bevinetto, professional staff member; D. Michael Harvey, chief counsel for the minority; Thomas B. Williams, professional staff member for the minority; Benjamin S. Cooper, professional staff member for the minority; and Elizabeth Moler, counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. Today is the third day of full committee oversight hearings on the President's proposed fiscal year 1985 budget for various programs within our jurisdiction.

Our initial witness today will be the Honorable Raymond J. O'Connor, Chairman of the Federal Energy Regulatory Commission.

Later this morning we will receive testimony from Edward E. Noble, Chairman of the U.S. Synthetic Fuels Corporation. In addition, we will receive testimony from the Honorable John B. Crowell, Jr., Assistant Secretary for the Department of Agriculture, and J. Lamar Beasley, Deputy Chief of the Forest Service.

The Federal Energy Regulatory Commission is responsible for natural gas regulation, for hydroelectric power regulation, for electric power regulation, and for oil pipeline regulation. From this perspective, the committee is concerned with what actions have been taken to clear out the backlog of cases which were awaiting Chairman O'Connor when he took over the reins at FERC.

In addition, the committee is interested in the status of FERC user fees, and any comments that Chairman O'Connor may have on the hydroelectric power licensing and the recommendations of the Grace Commission.

As for the Synthetic Fuels Corporation, this is the third year that Chairman Noble has appeared before the committee on its proposed budget. On previous occasions, Chairman Noble has set forth an ambitious schedule for the award of financial assistance that has not been fully met. Consequently, questions have arisen as to the commitment of the administration to this program.

Therefore, I am encouraged by the President's proposed budget for fiscal year 1985 since it anticipates the award of approximately $10 billion of financial assistance within the current fiscal year 1984 and completion of phase I of the statutory program during fiscal year 1985.

U.S. SYNTHETIC FUELS CORPORATION

[Program and Financing (in thousands of dollars)]

	1983	1984 estimate	1985 estimate
Program by activities:			
1. Technical analysis and evaluation	1,176	2,670	1,602
2. Administrative and managerial services	15,038	25,927	25,829
3. Financial assistance		38,000	135,000
Total obligations	16,214	66,597	162,431
Financing:			
Offsetting collections from: Federal funds	−14,967	−66,597	−162,431
Balance of contract authority withdrawn	14,967	66,597	162,431
Contract authority (substantive law, 94 Stat. 611)	16,214	66,597	162,431
Relation of obligations to outlays:			
Obligations incurred, net	1,247		
Obligated balance, start of year (contract authority)	1,536	2,783	2,783
Obligated balance, end of year (contract authority)	−2,783	−2,783	−2,783
Outlays			
Position with respect to limitation on commitments:			
Limitation on commitments: Loans by private lenders			
Commitments exempt from limitation: Loans by private lenders		4,098,000	2,400,000
New commitments, gross: Loans by private lenders		4,098,000	2,400,000
Cumulative balance of guaranteed loans outstanding:			
Outstanding, start of year			247,000
Loans guaranteed: New loans guaranteed		247,000	786,000
Outstanding, end of year		247,000	1,033,000
Memorandum: U.S. contingent liability for guaranteed loans outstanding, end of year		247,000	1,033,000

1. *Technical analysis and evaluation.*—Provides for generic studies and specific reviews of individual proposals for financial assistance.

2. *Administrative and management services.*—Provides for necessary administrative expenses, including compensation for all Corporation personnel and consultants, expenses for computer usage, for space needs of the Corporation and similar expenses.

3. *Financial assistance.*—Provides for drawdowns of price guarantees and cost sharing arrangements to improve project cost estimates.

Congress in 1980 enacted the Energy Security Act creating the Synthetic Fuels Corporation (SFC). The Corporation is intended to assist private industry to finance the development of synthetic fuels from coal, oil shale and other energy resources. Private sector firms will plan, construct, operate and/or own the synthetic fuel plants, but will receive financial assistance from the Corporation in the form of purchase agreements, price guarantees, guaranteed loans and direct loans.

The legislation creating the Corporation provides that the Corporation's budget not be included in the totals of the U.S. budget. However, as the Corporation requires funds to make payments to private firms, it will receive funds from the Secretary of the Treasury. An on-budget account has been established for this purpose. As funds are provided from the Secretary of the Treasury to the Corporation, outlays will be recorded in the Federal budget.

Although the Corporation will enter into obligations of a significant amount in its early years, it is not expected to make large cash payments until the production of synthetic fuels actually begins later this decade.

In 1982, the unobligated and uncommitted balances of budget authority appropriated to the Department of Energy for the interim alternative fuels program were transferred to the Energy Security Reserve account in the Treasury as soon as the SFC was declared to be operational by the President. Also, $6,212,000,000 appropriated in 1980 to the Energy's Security Reserve account for the SFC, became available. Total resources available to the SFC in 1983 were $14.9 billion.

In addition, in 1982 the SFC assumed responsibility for certain contracts and agreements initiated by the Department of Energy under interim authority. These contracts transferred to the SFC after it was declared to be fully operational.

Activities of the Corporation are expected to increase significantly in 1984 in the areas of financial assistance awards and project monitoring. Project solicitation and evaluation work also will continue, especially during the first half of 1984. As of December 2, 1983 two Corporation-assisted projects were being monitored, four had letters of intent, and two others were expected to receive letters of intent. The Directors also had authorized commitment of 131(u) cost sharing funds to one project. Thirteen projects were in negotiations.

The Corporation will evaluate proposals received in response to current and future solicitations. The outcome of current negotiations and future evaluations cannot be predicted with any degree of accuracy. Therefore, the estimates included here do not necessarily represent the actual level of Corporation commitments.

STATUS OF PROGRAM AUTHORITY

[In millions of dollars]

	1983 actual	1984 estimate	1985 estimate
Unused program authority, start	14,887	14,750	4,468
Additional authority			
Total authority	14,887	14,750	4,468
Obligations and commitments:			
Financial assistance	121	10,253	4,400
Administrative services	15	26	26
Other obligations	1	3	2
Total obligations and commitments for guaranteed loans	137	10,282	4,428
Unused program authority	14,750	4,468	40

OBJECT CLASSIFICATION

[In thousands of dollars]

	1983 actual	1984 estimate	1985 estimate
Personnel compensation: Special personal services payments	9,707	14,107	14,158
Travel and transportation of persons	794	2,030	2,226
Transportation of things	71	277	112
Communications, utilities and other rent	2,419	3,218	3,393
Printing and reproduction	130	296	273
Other services	2,657	8,084	6,820
Supplies and materials	113	204	208
Equipment	323	381	240
Grants, subsidies, and contributions		38,000	135,000
Total obligations	16,214	66,597	162,431

The CHAIRMAN. I look forward to Chairman Noble's explanation of how it is proposed to complete phase I of this program which is vital to our national security.

At this time I welcome to the committee Chairman O'Connor. I understand that this is his initial appearance before the Congress as chairman, and I welcome him at this time.

Chairman O'CONNOR. Thank you, Senator.

The CHAIRMAN. Before we begin I will defer to other members of the committee who may wish to make some statement at this time and then turn to the testimony.

Senator Metzenbaum.

Senator Warner.

Senator Evans.

If not, Mr. Chairman, we have your prepared statement. You may deliver that statement or you may have it placed in the record and summarize in whatever way you would desire.

Chairman O'CONNOR. I would like to summarize, please.

The CHAIRMAN. The statement will be placed in the record in full. You are invited to proceed.

STATEMENT OF HON. RAYMOND J. O'CONNOR, CHAIRMAN, FEDERAL ENERGY REGULATORY COMMISSION, ACCOMPANIED BY WILLIAM G. McDONALD, EXECUTIVE DIRECTOR, FEDERAL ENERGY REGULATORY COMMISSION

Chairman O'CONNOR. Thank you, sir. Mr. Chairman and members of the committee, I appreciate this opportunity to discuss the Federal Energy Regulatory Commission's fiscal year 1985 budget request with you.

I am accompanied today by Mr. William McDonald, the Executive Director of the Commission, and by the Directors of the Commission's legal and technical offices who may assist me in answering your questions.

As I have submitted a written statement for the record I would like to focus my comments this morning on what has been accomplished in the first 90 days as Chairman and on the initiatives I intend to pursue during the remainder of this fiscal year.

MANAGERIAL INITIATIVES

First, the managerial initiatives—one of the most significant challenges facing the Commission is improving agency management. Progress has been made in recent years to enhance the Commission's ability to manage the many thousands of matters that come before us, but much more needs to be done, and quite frankly, I think that the ability of the Commission to address adequately the substantive issues will improve as a result. As I will detail, I am committed to streamlining and improving the efficiency of the internal operations.

Since becoming Chairman, I have taken several administrative initiatives that will enable the Commission to function more effectively. First, I have reviewed and have begun to revise the Commission's case tracking and preparation procedures. At present, these procedures in too many instances fail to allow the Commissioners

adequate time for review and preparation prior to the Commission meeting.

Accordingly, I have instructed staff to make greater use of the computerized case tracking system already in place and to modify gradually the case preparation procedures so that items will be circulated to my colleagues well in advance of the Commission meeting date. In effect, this initiative will establish a viable agenda, forecasting system which will provide a target date for each action requiring Commission consideration. This should allow staff members to schedule their own work in a systematic and more predictable manner while also providing the Commissioners with adequate time for review.

Another example of the administrative initiatives I have taken since I have been Chairman the last 90 days is the establishment of rulemaking priorities. After obtaining the comments of my fellow Commissioners and the senior staff of the Commission, I reviewed more than 100 pending rulemakings for the purpose of establishing priorities that will henceforth guide staff in allocating resources among the various dockets. As a result, the staff has now prepared a schedule which will allow for Commission consideration of these priority matters in an orderly fashion over the coming 5 months. I have designated as high priority two dozen of those 100 to be concluded by the middle of calendar year 1984.

These two actions should measurably assist the Commission in meeting the goal of deliberate, reasoned decisonmaking.

Let me turn now from the managerial to the substantive areas of the Commission's responsibilities. In the natural gas area, a number of major steps have been taken.

NATURAL GAS PROGRAM

The Columbia PGA passthrough case has been brought to the Commission table and decided after having been pending at the Commission for 12 months. Final orders on rehearing were issued approving special marketing programs by two pipelines and one major producer. On an experimental basis, these orders provide increased latitude for the play of competitive forces in the affected markets. In conjunction with these orders the Commission has issued a notice of inquiry calling for all interested persons to comment on the advantages and disadvantages of allowing increased competition among gas suppliers.

With regard to minimum commodity bills in pipeline tariffs, the Commission has called for reply comments on a draft rule that would in effect insure that these tariff provisions do not require purchasers to pay for costs that their suppliers do not in fact incur. Review of the minimum commodity bill issue presents difficult and important questions. Therefore, I have instructed staff to prepare recommended options for the consideration by the Commission within the next 90 days.

Looking ahead to the remainder of this fiscal year and to fiscal year 1985, it appears clear that the present state of the natural gas markets coupled with the pending phased decontrol under the NGPA will continue to generate myriad, complex policy and program issues. No easy solutions to these problems are apparent. I

am committed, however, to reviewing an array of options that could be taken over the next 6 to 18 months to assist the industry and the public in adjusting to the phased removal of wellhead price controls in accordance with existing congressional mandate.

Irrespective of what action if any the Commission takes on any or all of these issues, we need to avoid precipitous action that might only make matters worse. Regulatory predictability is critically important not only to the regulated companies but to their lenders and customers as well.

At the same time, the Commission must balance that concern against the fact that it may need to take some positive steps in some areas. With so much uncertainty surrounding what in fact will happen in the natural gas markets after January 1, 1985, we must do the utmost to hold regulatory uncertainty to a minimum.

HYDROPOWER REGULATION

In the area of hydropower regulation, over the past 3 months I have spent many hours reviewing the Commission's procedures for issuing hydroelectric permits, licenses, and exemptions. The staff has furnished me data detailing how many filings the Commission has received in each of these areas and of these, how many projects have been approved, how many are under construction, and how many are actually on-line and generating power.

EXEMPTION APPLICATIONS

As part of this effort we have prepared an analysis of the exemption applications between Eastern and Western regions of the country. This analysis shows that the exemption process authorized by the Congress in 1980 is not meeting congressional expectations in terms of expediting the construction of qualifying hydro projects.

My short statement has a table showing fairly clearly the dichotomy between the East and the West.

DISPOSITION OF EXEMPTION APPLICATIONS FILED BETWEEN FISCAL YEARS 1980 AND 1983 INCLUSIVE

	Applications		Exemptions issued	Construction commenced	On line
	Filed	Accepted			
East	328	187	170	105	42
West	719	465	343	106	54
Total	1,047	652	513	211	96

The exemption program seems to be working fairly well in the Eastern part of the United States, particularly in the Northeast, whereas in the Western part of the United States it is fairly clear that there is not only a large delay at the Commission in getting the applications processed and the exemption issued, there is also a large delay once the exemption gets out the door, and for a variety of reasons, construction has not commenced.

Two distinct problem areas emerge, both involving applications for sites in the Western United States. The first problem area is in issuing exemptions for sites in the West.

The bulk of the exemptions sought in Western States will make use of natural water features which generally require some new construction before they can be used for hydropower generation. This need for new construction has in turn raised the question of whether cumulative environmental impact studies must be performed pursuant to NEPA and applicable court cases for various river basins prior to the Commission approving an exemption or issuing a license. No exemptions or licenses have been issued on the river basins in question for about 1 year pending resolution of this issue.

Over the last 3 months I have given careful consideration to this question. As a result, I can assure you that within the next 45 to 50 days I will bring this issue to the Commissioners for a decision on how to proceed. Any decision reached is likely to be contested and accordingly must be carefully prepared so as to pass the test of judicial review. Since the issue is raised in pending adjudicatory matters, it would not be appropriate to discuss the merits of the questions at this time, but I reiterate my commitment to bring this matter to my colleagues for their formal consideration and decision.

The second problem area arises after the issuance of the exemption by the Commission, particularly for sites on Federal lands. Issuance of an exemption, unlike a license, does not provide the power of eminent domain, nor does it confer water rights necessary for the project. Consequently, only 30 percent of the exemption holders in the Western States have commenced construction as opposed to 60 percent of the exemption holders in the Eastern part of the United States. These problems are not within the Commission's power to remedy, however.

ELECTRIC POWER REGULATION

With regard to the Commission's regulation of wholesale electric rates, there has been continuing concern dating back to the late 1970's about delay in deciding these cases. I have directed staff to proceed with proposals to determine generically the rate of return allowed utilities in rate cases and the allowance made in rates for cash working capital. These matters will be presented to the Commission for consideration within the next 4 months.

In the coming months I will be making recommendations to my colleagues concerning other possible actions to expedite these cases.

COMPETITIVE MARKET EXPERIMENT

In another area the Commission approved a 2-year experimental program this past December involving a group of public and private investor-owned utilities in the Soutwest in which certain types of power will be bought and sold on a competitive basis. Transportation of the power will be offered automatically to all participants on standard terms. The experiment is designed to determine the extent to which such flexibility will enable the participating utility to pursue a least cost purchase strategy, in some cases on an hour-to-hour basis.

The Commission will closely monitor the operations of this experiment. Ultimately a more competitive market may result in great-

er efficiency and lower costs in electric power. There are other areas of the country, groups of companies—for example, a Southeastern group of companies—that are also looking at the possibility of such an experiment.

There are also companies in the upper Midwest that are looking at it.

INCLUSION OF CWIP COSTS IN ELECTRIC RATES

Another significant issue is the inclusion of the cost of construction work in progress [CWIP] in electric rates. Our goal here is to provide a more accurate representation in utility rates for the costs incurred by utilities in planning for and providing long-term reliable service to their ratepayers and to remove the disincentives for utilities to build needed generating facilities. During the remainder of this fiscal year staff will be reviewing the effects of the rule as utilities begin to include CWIP in their individual rate cases.

SUMMARY

In conclusion, Mr. Chairman, I will stress programs to improve staff productivity and streamline the operation of this Commission. As we enter into this critical period of transition in the history of natural gas regulation, the FERC must be well prepared to meet the inevitable challenges that the NGPA phaseout plan will produce.

Consequently, the Commission's budget request for fiscal year 1985 provides sufficient resources to continue the productivity gains in our established workload as well as to manage the NGPA transition effectively. Our decisions have an enormous impact on the Nation's economic health and well-being.

I appreciate your support and will be pleased to try to answer whatever questions you may have.

The CHAIRMAN. Thank you very much.

[The prepared statement of Chairman O'Connor follows:]

STATEMENT OF
RAYMOND J. O'CONNOR
CHAIRMAN, FEDERAL ENERGY REGULATORY COMMISSION
BEFORE THE
COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

February 9, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I appreciate this opportunity to discuss the Federal Energy Regulatory Commission's FY 1985 budget request with you. I am accompanied today by William G. McDonald, the Executive Director of the Commission, and by the directors of the Commission's legal and technical offices who may assist me in answering your questions.

This morning, after presenting you with a brief overview of the Commission's FY 1985 budget request, I would like to provide you with a status report on the managerial and substantive initiatives taken in my first 90 days as Chairman of the Commission. It is in that context that I would like to relate my expectations for the remainder of fiscal year 1984 and discuss our budget request for FY 1985.

FY 1985 Budget Overview

The FY 1985 budget request is for $100,677,000 of which $60,000,000 would be offset through the collection of annual charges and fees. Included in the request is $5,000,000 for energy data support from the Energy Information Administration (EIA). At first glance, the request appears to be significantly higher than our FY 1984 appropriation of $89,582,000; however,

of the $11,095,000 increase, only 3 percent, or $285,000, represents program changes. The balance of $10,810,000 represents the additional resources necessary just to maintain the current level of operations. These costs include the following:

- $2,362,000 to pay for the 1985 costs associated with the January 1984 pay raise;
- $2,250,000 to pay for the full year costs of new hires in FY 1984 which are primarily the result of completing the transfer of administrative support functions from the Department of Energy;
- $238,000 due to an extra compensable day in FY 1985; and
- $5,960,000 for supporting increased costs of FERC operations, including an additional $1,611,000 for renting office space through the General Services Administration and $4,349,000 for costs in non-personnel areas such as travel, telecommunications, guard services, reporting services, and printing.

The budget request includes five program changes which net to an increase of $285,000. The program changes are listed below:

- an increase of $759,000 for the EIA energy data support to collect public use forms and to maintain a data center accessed by FERC staff;
- an increase of $200,000 for bulk power market studies in the Electric Power Program;

- an increase of $130,000 for contractual support for required safety and environmental studies of liquefied natural gas and synthetic natural gas facilities;
- a decrease of $575,000 as a result of completing rate study contractual work in FY 1984 in the Trans Alaska Pipeline System Case; and
- a decrease of $229,000 associated with the Administration's General Schedule 11 - 15 grade reduction initiative.

It must be emphasized that this Commission is making every effort to control operating costs. The budget request represents what I consider to be a minimum funding level for FY 1985. An examination of the composition of funding illustrates this fact: of the total amount, 86 percent is for fixed expenses, including salaries, benefits, and direct support costs. The remainder will be used to pay for energy data support provided by EIA and for program and technical contract support.

Managerial Initiatives

One of the most significant challenges facing the Commission is improving agency management. Progress has been made in recent years to enhance the Commission's ability to process the approximately 85,000 applications, pleadings, memoranda, and other actions that come before us every year. But much more needs to be done, and, quite frankly, I think that the ability of the Commission to adequately address the substantive issues will improve as a result. As detailed below, I am committed to streamlining and improving the efficiency of the

internal operations as well as encouraging and supporting the effort to reduce the regulatory burden on industry.

Since becoming Chairman, I have taken several administrative initiatives that will enable the Commission to function more effectively. First, I have reviewed the Commission's case tracking and preparation procedures. At present these procedures in too many instances fail to allow the Commissioners adequate time for review and preparation prior to the Commission meeting.

Accordingly, I have instructed staff to make greater use of the computerized case tracking system already in place and to gradually modify the case preparation procedures so that items will be circulated to my colleagues well in advance of the Commission meeting date. In effect this initiative will establish a viable agenda forecasting system which will provide a target date for each action requiring Commission consideration. This should allow staff members to schedule their own work in a systematic and more predictable manner while also providing the Commissioners with adequate time for review. These efforts should measurably assist the Commission in meeting the goal of deliberate, reasoned decisionmaking.

Another example of the administrative initiatives I have taken is the establishment of rulemaking priorities. After obtaining the comments of my colleagues on the Commission and senior staff, I reviewed more than one hundred pending rulemakings for the purpose of establishing priorities that will henceforth

guide staff in allocating resources among the various dockets. As a result, the staff is now preparing a schedule that will allow Commission consideration of these priority matters in an orderly fashion over the coming months. In addition, the Commission has terminated over a dozen pending rules that in our collective judgement no longer require Commission action.

Other major initiatives in this area include the recent issuance of a rule revising and standardizing the format for pipelines' purchased gas adjustment (PGA) filings and steps to streamline the procedures for deciding electric rate cases and processing various filings in the hydropower area. The PGA rule, for example, should make the pipelines' gas purchase data considerably more useful to the staff and the public for monitoring developments in field markets as wellhead prices are progressively decontrolled pursuant to the Congressionally established schedule. I intend to continue to implement these general managerial steps during the remainder of this fiscal year.

In FY 1985, the Commission plans to continue three efforts which have contributed greatly to enhancing operational efficiency by improving the method of recordkeeping and by making the records more accessible.

The first initiative, started in FY 1981, is an integrated micrographic and computer system to replace the outdated and inefficient manual method of filing and recordkeeping. The

second initiative is a legal precedent indexing system that permits full text, rapid legal research by staff through quick access to leading cases, Commission orders, opinions, and decisions. Both systems have freed staff from time-consuming paper searches and have contributed to expediting cases at the Commission.

The third initiative, which is currently in the pilot stage, is aimed at better use of office automation. Equipment has been installed to reduce the costs associated with the preparation of Commission documents required by statute and regulation. Further increases in productivity and office efficiency will be achieved through upgrading our automated systems which track the flow of casework and related documents during the regulatory process.

The Commission has been in the forefront of reducing regulatory burden on jurisdictional companies. A program was established in FY 1978 to review all reporting requirements then imposed on regulated entities to determine which data or forms were no longer required. This program was expanded in FY 1980. To date, 74 forms and applications have been eliminated or revised, resulting in annual savings to industry and consumers of nearly 2,100 workyears and approximately $100 million. In addition, 9 more forms are being reviewed for possible reductions. In short, we have saved as much in reducing unnecessary reporting requirements as we are requesting in our FY 1985 budget.

The Commission expects to complete its initial validation of all FERC reporting requirements by the end of FY 1985. At that time, it is estimated that the reporting burden imposed by the Commission will have been reduced by more than 50 percent since FY 1978.

Natural Gas Regulation

In my first three months as Chairman, the Commission has taken a number of significant actions in the natural gas area. The Columbia PGA pass-through case was brought to the Commission table and decided. Final orders on rehearing were issued approving special marketing programs by two pipelines and one major producer. On an experimental basis, these orders provide increased latitude for the play of competitive forces in the affected markets. In conjunction with these orders, the Commission has issued a Notice of Inquiry calling for all interested persons to comment on the advantages and disadvantages of allowing increased competition among gas suppliers.

With regard to minimum commodity bills in pipeline tariffs, the Commission has called for reply comments on a draft rule that would in effect ensure that these tariff provisions do not require purchasers to pay for costs that their suppliers do not in fact incur. Review of the minimum commodity bill question presents difficult and important questions. Therefore, I have instructed staff to prepare recommended options for consideration by the Commission within the next 90 days.

Looking ahead to the remainder of this fiscal year and to FY 1985, it appears clear that the present state of the natural gas markets, coupled with impending phased decontrol under the NGPA, will continue to generate myriad complex policy and program issues. No easy solutions to these problems are apparent. I am committed, however, to reviewing an array of options that could be taken over the next six to eighteen months to assist the industry and the public in adjusting to the phased removal of wellhead price controls in accordance with existing Congressional mandate. Among the issues which are likely to come before the Commission are the question of the appropriate role for minimum commodity bills, the impacts of gas-to-gas competition, and the financial condition of regulated pipelines.

Under the NGPA large volumes of natural gas production will be price decontrolled effective January 1, 1985. Decontrol will allow producer-pipeline contracts to operate according to their terms. Absent renegotiation, the price as determined under many of these decontrolled contracts is likely to be in excess of prevailing prices. But since a surplus of natural gas is projected and fuel oil prices are likely to remain highly competitive, the extent to which pipelines will actually pay these higher prices for decontrolled gas is very uncertain. Under these circumstances, pipelines may seek to release the gas and offer transportation services to make it available to other markets, as some pipelines have already begun doing.

The decisions by pipeline company managements concerning the release of certain gas, the purchase of other gas, and the payment of particular prices for decontrolled gas will in all likelihood be challenged as imprudent in some, perhaps many, instances. In addition, any resulting supply shifts among pipelines will present important matters for Commission consideration in FY 1985.

Irrespective of what action, if any, the Commission takes on any or all of these issues, we need to avoid precipitous action that might only make matters worse. Regulatory predictability is critically important, not only to the regulated companies but to their lenders and customers as well. At the same time, the Commission must balance that concern against the fact that it may need to take some positive steps in some areas. With so much uncertainty surrounding what in fact will happen in the natural gas markets after January 1, 1985, we must do the utmost to hold regulatory uncertainty to a minimum.

A total of $48,636,000 is requested for the Natural Gas Regulation Program in FY 1985. The primary focus will be the implementation of the existing Congressional mandate which decontrols certain gas supplies beginning January 1, 1985. In view of the current pressures on the industry, FY 1985 stands to be the most critical period in the NGPA schedule. It is imperative that the Commission be able to respond to those pressures. For that reason, we will require the same level of resources as in FY 1984 to manage this transition effectively.

Hydropower Regulation

Hydropower regulation is a matter of particular concern to many members of this Committee. Over the past three months, I have spent many hours reviewing the Commission's procedures for issuing hydroelectric permits, licenses, and exemptions. The staff has furnished me data detailing how many filings the Commission has received in each of these areas, and of these, how many projects have been approved, how many are under construction, and how many are actually on-line and generating power. Table I sets out this information for licenses issued under the Federal Power Act.

TABLE I

Hydroelectric Licenses for Projects
Not Exceeding 30 MW
(Where initial filing made
during period FY 1977 to FY 1983)

Applications Filed	Applications Accepted	Licenses Issued	Construction Commenced	Projects On-line
588	444	162	73	36 (16,774 kW)

The figures in Table II present the same information for exemptions approved under the Energy Security Act of 1980.

TABLE II

Exemptions Under Energy Security Act
(Where initial filing made
during period FY 1980 to FY 1983)

Applications Filed	Applications Accepted	Exemptions Approved	Construction Commenced	Projects On-line
1047	652	513	211	96 (18,295 kW)

Source: FERC Office of Electric Power Regulation

These numbers appear to indicate that the exemption process authorized by the Congress in 1980 has not met Congressional expectations in terms of expediting the construction and completion of qualifying hydro projects. Although the exemption process appears to have streamlined the FERC approval process, there appear to be other sources of delay. For example, exemption holders for projects on federal lands appear to be experiencing delays in obtaining the necessary water rights and right-of-way permits.

A review of pending exemption applications by state indicates that filings in the western half of the United States account for roughly three-quarters of the exemptions presently pending before the Commission. One major reason for this appears to be that the bulk of the exemptions sought in western states will make use of natural water features, which generally require some new construction before they can be used for hydropower generation. This need for new construction has in turn raised the question of whether cumulative environmental impact studies must be performed for various river basins prior to the Commission approving an exemption or issuing a license. No exemptions or licenses have been issued on the river basins in question for about 5 months, pending resolution of this issue. Over the last three months, I have given careful consideration to this question. As a result, I can assure you that within the next 45 to 50 days I will bring this issue to the Commissioners

for a decision on how to proceed. Since the issue is raised in pending adjudicatory matters, it would not be appropriate to discuss the merits of the question at this time. But I reiterate my commitment to bring this matter to my colleagues for their formal consideration and decision.

In FY 1985 the Commission expects to complete 1,336 hydropower licensing workload items and 2,036 dam safety inspections. To process this anticipated workload, I will strive to improve staff productivity and streamline the licensing process. These efforts will contribute to limiting the increase in pending actions, while increasing our efforts to process actions on critical new capacity hydroelectric projects.

With respect to the Dam Safety Program, the Commission's responsibilities, as specified by the Federal Power Act, have increased significantly as a result of the large number of licenses issued for new capacity hydroelectric projects in recent years. For example, between FY 1981 and FY 1983 the number of licenses issued increased 89 percent. This trend is continuing, and in FY 1985 the Commission plans to conduct more than 2,000 dam safety inspections, almost 30 percent more than were completed in FY 1983.

Our budget request in the Hydropower Regulation Program totals $26,120,000 in FY 1985. We are anticipating that the total number of filings in the hydro area will decline next year, primarily due to a continuing decline in the number of preliminary permit and exemption filings. However, the total workload will increase as many of the permit holders apply

for a license. The resources requested for FY 1985 will enable the Commission to meet its responsibilities in both the hydropower licensing and dam safety areas.

Oil Pipeline Regulation

The Commission's request totals $5,825,000 in the Oil Pipeline Regulation Program. Responsibilities extend to approximately 150 common carrier oil pipelines and include the establishment of transportation rates that are fair to shippers and consumers and that also supply adequate incentives for the expansion of oil pipeline systems. In FY 1985 it is projected that 2,084 workload items will be completed. Pending workload will decline to 267 items, a 4 percent reduction from the FY 1983 level.

Electric Power Regulation

During the last several years, there has been continuing concern about delay in deciding wholesale electric rate cases. Some steps have been taken by my predecessors to expedite these cases and I am committed to pursuing this goal. Accordingly, I have directed staff to review the decisional process for electric rate cases to identify additional steps which the Commission can take to expedite these cases. In this context, I have already directed staff to proceed with proposals to determine generically the rate of return allowed utilities in rate cases and the allowance made in rates for cash working capital. These matters will be presented to the Commission for consideration within the next six months. In the coming

months, I will be making recommendations to my colleagues concerning other possible actions to expedite these cases.

In another area, the Commission has approved a two-year experimental program involving a group of public and private utilities in which certain types of power will be bought and sold on a competitive basis. Transportation, or "wheeling," of the power will be offered automatically to all participants on standard terms. The experiment is designed to determine the extent to which such flexibility will enable the participating utilities to pursue a least-cost purchase strategy, in some cases on an hour-to-hour basis, and to test the desirability of changing the way FERC regulates certain types of wholesale transactions. Ultimately, a more competitive market may result in greater efficiency and lower costs in electric power generation.

Later this year, we may receive requests to authorize similar experiments involving other groups of utilities. Any such subsequent filings will be reviewed carefully to make sure that they meet statutory criteria. The Commission will be closely monitoring the operations of any such experiments to gather information and expertise on whether more competitive markets may be developed in certain types of electric power transactions and whether these more competitive conditions will in fact enable utilities to operate more efficiently and at lower overall costs.

Another significant issue is the inclusion of the cost of construction work in progress (CWIP) in electric rates. Our

goal here is to provide a more accurate representation in utility rates of the costs incurred by utilities in planning for and providing long-term, reliable service to their ratepayers. The CWIP rule is designed to remove the disincentives for utilities to build needed generating facilities. These disincentives tended to result from the traditional regulatory practice of precluding a utility from recouping carrying costs during construction. During the remainder of this fiscal year, staff will be reviewing the effects of the rule as utilities begin to file to include CWIP in their individual rate cases.

We have made considerable progress in approving rate structures for the Power Marketing Administrations (PMA). Last month the Commission issued a rule which approved the Bonneville PMA's cost computation methods for transaction with public utilities. Earlier the Commission issued a Notice of Proposed Rulemaking (NOPR) which clarified the filing requirements and the approval review of rates for the other four PMA's. My schedule calls for bringing the final rulemaking before the Commission by the end of June 1984.

To support the Commission's electric power programs, I have requested a budget of $20,096,000 for FY 1985.

Summary

In conclusion, I will stress programs to improve staff productivity and streamline the operation of this Commission. As we enter this critical period of transition in the history of natural gas regulation, the FERC must be well prepared to

meet the inevitable challenges that the NGPA phase-out plan will produce. Consequently, the Commission's budget request for FY 1985 provides sufficient resources to continue the productivity gains in our established workload, as well as to manage the NGPA transition effectively. Our decisions will have an enormous impact on the nation's economic health and well being.

I appreciate your support and will be pleased to answer your questions.

RULEMAKINGS PENDING BEFORE FERC

The CHAIRMAN. Mr. O'Connor, I will be very brief this morning. I hope other members will be as brief as it is possible to be. Recognizing that many of us have an awful lot of interest in many of the issues that are before the Commission, we will operate under a time constraint on the first round of questioning in order that we divide the time as equitably as possible.

Mr. O'Connor, you indicated that when you arrived there were over 100 rulemakings underway, and you also indicated, if I recall correctly, that you have tried to establish a priority on those rulemakings.

Chairman O'CONNOR. Yes, sir.

The CHAIRMAN. If I heard correctly, you indicated that about 24 or 25 of those should be completed during calendar 1984. Am I correct?

Chairman O'CONNOR. I would anticipate that the first high priority group would be completed well before the end of calendar 1984.

The CHAIRMAN. Does that imply that the balance of over 75 will not be completed during calendar year 1984?

Chairman O'CONNOR. Not necessarily; the first group of high priority rulemakings is presently anticipated to be completed toward the middle of calendar 1984. There will be some of them completed well before then.

There is also a second list of priorities, and the second——

The CHAIRMAN. There nearly always is.

Chairman O'CONNOR. The second list encompasses another couple of dozen, and as rulemakings are completed in the first group, the second group will then be folded in. There is now a detailed time schedule which we circulated yesterday on the top two dozen rulemakings. Each one of them has a time schedule attached to it, and we are expecting to have a substantial number of them completed by July 1984.

Subsequent to that and during that period of time, the second group of priority rulemakings will be phased in. We don't want to keep anybody from working on the rules, so as soon as one is com-

pleted an additional one will be assigned. I would hope by the end of calendar 1984 that a very substantial amount, and I would clearly hope that a majority of the 75 that we have identified would be completed. Some of the 100 I referred to as pending before the Commission when I arrived have been terminated already as a result of there no longer being an interest in the subject matter.

The CHAIRMAN. Mr. Chairman, there isn't any doubt that FERC has been confronted with a massive increase in workload.

Chairman O'CONNOR. Yes, sir.

RIVER BASIN ENVIRONMENTAL IMPACT STATEMENTS

The CHAIRMAN. That also is by way of saying that there is some very important issues there, not just numbers. The complexity and importance of some of those issues has been elevated as well. The Nation has a shifting set of priorities but one that has been relatively constant is the need to get on with energy policy and the implementation of those policies which are in place, and rulemakings in your agency is certainly one of the essential elements of any kind of a national energy policy.

I know that one of those pending issues is an adjudicatory matter and it is difficult for us to discuss it while it is in that particular phase, but there are a couple of rules that deal very directly with the priority that the Congress has established, with which the administration has agreed, both this one and the past administration, dealing with the issue of hydroelectric power development.

One of those is the one that you addressed in your statement with respect to whether or not a basin-wide EIS must be required.

Chairman O'CONNOR. Yes, sir.

The CHAIRMAN. This is something that many of us throughout the Northwest, in particular, are very interested in and very concerned about. Without asking you to comment as to where you are going, because it is pending, I think it is fair to state on the public record what I have tried to say in a number of forums in the past, and that is that certainly we need to know what the cumulative impact will be of massive numbers of small projects because they will have an impact as they accumulate, but I find it very, very difficult to believe that the first one or two, or half a dozen have such a large environmental impact upon the basin as to require a basin-wide EIS before we start on the first one. It has been over a year. Nothing is happening, and one of the Nation's priorities has to be to develop clean, nonpolluted, environmentally acceptable alternatives to the importation of foreign oil, and the burning of coal, and all the rest of the energy alternatives that we have, and it just seems to one Senator to be terribly foolish for the Nation to be tied up with the necessity for long-range planning and cumulative determinations in the absence of a clear showing that the first edge of that begins to impact extensively.

I know that Senator Evans has a great interest in moving forward on the Yakama project. Some of that includes hydroelectric development. It would seem to me to be an anomaly if indeed we get caught now saying we can't move forward on that, or another small hydro projects or wherever or whoever else may be involved until we have decided what we are going to do with all of them.

That is a prescription for paralysis, all too easy to find, perhaps all too hard to solve. I don't know.

Chairman O'CONNOR. May I comment?

The CHAIRMAN. Yes, sir.

Chairman O'CONNOR. I have spent an enormous amount of time on this issue. I am very much aware of the backlog, and I am very much aware that there haven't been licenses or exemptions issued in several Western states.

Some 14 river basins now subject to petitions pending licensing and/or exemptions are in the Western States. That was the reason why I directed our staff to try to find out exactly what that situation is in the East, and as I mentioned in my statement, the additional numbers that were added to my statement clearly show that the Western part of the United States is having a problem getting decisions out at the Commission because of the opposition and the petitions relative to cumulative environmental impact statements.

I just want to reiterate that within the next 45 to 50 days I am committed to addressing this. We have spent an enormous amount of time in the last 90 days trying to find out what the problem is and I've directed both legal and technical staff to study a variety of possible options. We have spent a lot of time on this, and so I think I can say with true sincerity that the 45 to 50 days is, in my judgment, a realistic commitment to bring this question to my colleagues at the Commission for a decision.

The second problem dealing with delays in terms of construction and the amount of power that is actually in place and in service, as I mentioned in my statement, deals with State situations relative to water rights. I don't have any answers to those.

The CHAIRMAN. Well, I understand that and we are trying, as we look at your operations, to separate those areas of your responsibilities and capacity from those in which you cannot——

Chairman O'CONNOR. We are clearly responsible to process these applications.

The CHAIRMAN. When you have people that have money tied up, and it is tied up for months on end, at current costs of capital, it is a real economic hardship. In many respects it is an injustice to people who are invited by Government action to get into this business and then are bankrupted by Government inaction after they get into it.

Chairman O'CONNOR. We are trying to get the very, very best legal and technical advice relative to how we can make decisions.

The CHAIRMAN. The Columbia Basin is very near and dear to my heart, and what happens within it is important to me, but I get to the point where I am going to insist we have a basin-wide impact statement on the Mississippi before you can do anything in the Mississippi Basin. Columbia is not the only basin in the United States, yet there are movements in other parts of the country, in other watersheds. If a basin-wide EIS is required for us, why isn't it for everyone else?

One other matter that is pending——

Chairman O'CONNOR. I am committed to making a decision on it.

CHARGES FOR USE OF FEDERAL FACILITIES

The CHAIRMAN. I understand. The second question is one that is of mixed import because we have legislation pending before us, as well as action before FERC, and that is what the charge will be for the use of Federal facilities or federally licensed facilities.

Chairman O'CONNOR. Yes, sir. I can tell you that that is on our high priority list, that rulemaking.

The CHAIRMAN. I have confessed I have some mixed emotions about that because I do not know why the Federal Government is entitled to receive money just because the Federal Government has the power to extort that from consumers. But there are others, and some on this committee, who don't see the issue in exactly the same light that I do. They approach it from the standpoint that if somebody gets a benefit, they ought to pay for it. Perhaps we will have to resolve that in both your forum and ours, but it is an important issue that demands resolution.

I will not take further time now. There are some very important questions, and we will submit some for responses in writing.

Chairman O'CONNOR. Certainly.

The CHAIRMAN. Thank you, Senator Metzenbaum.

Senator METZENBAUM. I would like to point out to the chairman that the Chair was very lenient with the Chair as far as time, and I hope that same courtesy will be accorded.

The CHAIRMAN. Nine minutes.

Senator METZENBAUM. It seemed more to me.

The CHAIRMAN. It always seems longer to you.

Senator METZENBAUM. That's because there are so many gems of wisdom in each sentence.

PROVISION OF MATERIALS TO SENATOR METZENBAUM

Mr. O'Connor, last summer while the committee was working on the gas bill your staff was asked to provide technical assistance and comments on contract carriage.

Those comments were not provided directly to the minority. As a matter of fact, it went to the majority staff first.

Was that one with your approval and do you intend to follow that practice in the future?

Chairman O'CONNOR. I am not familiar with that, Senator. I don't know what date that took place.

Senator METZENBAUM. It was when we were considering the natural gas bill, and frankly we normally have not expected agencies to deal on a political basis with the furnishing of information, but that indeed occurred.

Chairman O'CONNOR. It may have. I am not aware of it. I took office on November 14.

Senator METZENBAUM. It was before you were Chairman.

Chairman O'CONNOR. So I am not familiar with that.

Senator METZENBAUM. May we be assured in the future information will be made available in a nonpolitical basis regardless of who requests it?

Chairman O'CONNOR. That would certainly be my intention, yes.

PRICE ESCALATORS

Senator METZENBAUM. Let me ask you, if Congress doesn't act with respect to price escalators, can we anticipate that FERC will take some prompt action in this area?

Chairman O'CONNOR. Our budget and our plans, Senator, is based upon the assumption that there will not be any legislation this year.

As I mentioned in my oral statement, we are aware that January 1, 1985, is not too far away. We are also aware that there are some problems relative to prices. I said in my statement that I am committed to reviewing an array of options that could be taken over the next 6 to 18 months to assist the industry and the public in adjusting to the phased removal of wellhead price controls in accordance with the existing congressional mandate.

Many of the petitions presently before the Commission deal with the variety of subjects on prices and petitions relative to the Commission doing certain things that may need to be done. Obviously I can't talk to the merits of those pending matters, but I am committed as we move through the next several months to look at what options and what scope of authority the Commission may or may not have to deal with several of the problems, including the contract problem.

NATURAL GAS CONTRACT PROVISIONS

Senator METZENBAUM. Take-or-pay contracts?

Chairman O'CONNOR. Take-or-pay contracts as well as the indefinite escalators and favored nation clauses, a variety of contract problems including the minimum bill problem which we do have a rulemaking on. In addition, there are several cases that will be coming before the Commission in the very near future on some of the cutback issues. The Columbia PGA case is one of them. Its time for rehearing has not expired. It is about to any day and we expect rehearing petitions on that. It is still before the Commission.

There are a variety of cases in the industrial sales program that have brought up many issues as to the contract problem. Just yesterday, for instance, we set an oral argument in another Columbia Gas System case—which is not too frequently done at the FERC—involving the Baltimore Gas & Electric Co. and the Process Gas Group. They are objecting to some transportation issues, and we decided yesterday at the Commission's regular public, open meeting by unanimous vote of the Commission to set that for an early oral argument. We would like to hear all these issues discussed out in the open and we would like to be able to look at them face-to-face with the parties involved and see how they are doing.

Senator METZENBAUM. May I summarize your answer?

Chairman O'CONNOR. Surely.

Senator METZENBAUM. Do I understand you to say that if Congress does not act with respect to the issue of take or pay and price escalation, not indicating what the action would be, but that the American people and the consumers of this country as well as the industry may anticipate that FERC will take some action in both of these areas before January 1985, or on or about that?

Chairman O'CONNOR. Well, that FERC will take some action—we are studying all the issues. We are studying them and I am having legal staff study the scope of the authority that FERC may have.

I can't commit within the next several months. When we go through the continuation of the consideration of legislation we want to be prepared within the next several months and have a good idea of what the options at the Commission may be and what scope of authority the Commission may have or may not have in these various areas.

We do not want to wait until November or September or October and all of a sudden have January 1, 1985, staring us in the face and not have the flexibility to do anything.

Obviously there is a time lag here between the time that the Commission may want to try to do something, whether it is initiating an action, a rulemaking, a notice of inquiry, or whatever that might be.

NOTIFICATION OF SENATORS OF FERC AUTHORITY

Senator METZENBAUM. Will the committee chairman and the ranking minority member be apprised in sufficient time, in advance or as soon as you know, what the report of your legal staff is as to the authority that you have or don't have?

Chairman O'CONNOR. Within the realms of the ex parte-type communication because the issues that we are dealing with here are raised by petitions before the Commission. We will certainly take that under the advice of counsel on what we might be able to do.

CHARGES FOR USE OF FEDERAL DAMS

Senator METZENBAUM. Mr. O'Connor, last year FERC proposed a new formula for setting the charges paid by power companies for using Federal dams. We are now considering S. 1132, a bill which would set a cap on those charges.

Would you support an amendment to S. 1132 indexing the charge to inflation?

Chairman O'CONNOR. That is a current rulemaking, Senator. There was a rulemaking issued, a notice of proposed rulemaking issued I guess early last year. There was a supplemental request for comments issued in the fall. I have not yet had sufficient time to read any and all the comments that have evolved in there. That is one of the rulemakings which is on our priority list to be concluded by mid-1984, and there are couple of different options I understand as to how to set those charges.

There is the so-called flat rate type of an option. There is also a more complex detailed methodology which has a formula base to it, and to the extent that the details of those pending rulemakings——

Senator METZENBAUM. Do you think it right if there is a cap set by legislation that that cap ought to be adjusted for inflation?

Chairman O'CONNOR. I really don't have an opinion on that, Senator. I really haven't looked at it.

Senator METZENBAUM. You came out of Wall Street, didn't you?

Chairman O'CONNOR. Yes; I did.

Senator METZENBAUM. And you understand the economics. I am not asking you how you will vote. I am just asking whether you think it is right that the cap on the charges in connection with the Federal dams should have an adjustment for inflation?

Chairman O'CONNOR. To the extent that the inflation factor is considered here, the end result would be and the risk would be if we ever return to the high, 10- to 12-percent inflation in the back-to-back years of 1979-80, I guess it was, there would be higher passthroughs if the customers would be charged by the State utility commissions. The passthroughs to the ultimate customers would be that much higher.

I guess on strictly a personal opinion basis, the inflation factor would be something that I would rather see limited, frankly.

Senator METZENBAUM. You would rather see it limited?

Chairman O'CONNOR. I would rather see it limited rather than open ended.

INDEFINITE PRICE ESCALATORS

Senator METZENBAUM. Let's go to the question of indefinite price escalators. On January 1, 1985, the price on some of these contracts—a fairly typical one would be 130 percent of No. 2 oil in the New York harbor. The approximate impact of that would be that if the wellhead price would go from the current contract level to around $11.20 per Mcf, assuming the New York harbor price is around $50 per barrel, and I say the $50 per barrel because as of January 27 it was $44.10. It had risen to $44.10 from December 2, which was a very rapid rise of $32.97, so I don't think it is unreasonable to expect it to be $50.

Under those circumstances, can consumers of this country count upon some prompt action from FERC? You have indicated you are studying it and there are pending cases, and do you see the role of FERC as having any responsiblity to consumer prices?

Chairman O'CONNOR. Yes; I do.

Senator METZENBAUM. Well, if there were not a case pending, FERC would have authority to move into areas of this kind with respect to pricing, would it not?

Chairman O'CONNOR. I do not know the scope of the authority in the FERC, and this among other things would be the reason why we want to be prepared some time well in advance of January 1, 1985, and monitor the situation in the market as well as the situation in the legislative area and be ready and not be surprised.

Senator METZENBAUM. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Evans.

TIMELINESS OF PMA RATE REVIEWS

Senator EVANS. Mr. O'Connor, I was pleased to hear your testimony particularly on the monumental job you have taken on trying to get rid of backlogs and bring some of the activity of FERC up to date.

Just a comment rather than a question really—on the timeliness of rate review. I have watched for the last several years as chairman of the Pacific Northwest Power Council the reviews of Bonne-

ville's rates which occur after the fact and are virtually moot by the time the FERC rate review is done.

I don't know how rapidly you can move in that area, but it would seem to me to be a very important, very helpful move if you can make it.

Chairman O'CONNOR. Well, just for the record, Senator, and without again talking about the substance of any case that is pending, we did just recently move relatively rapidly on an interim request by Bonneville. We put it in subject to refund with a 4-month effective period. There has been some work done in this area.

The staff of the FERC and the staff of Bonneville I think now have been talking and cooperating better in the last month or two.

FERC REQUIREMENTS UNDER NORTHWEST POWER ACT

Senator EVANS. Perhaps some of these questions will require some written response because they get into some of the details of the Northwest Power Act of 1980 and the relationship of FERC in some of those activities.

Under the Power Act, FERC is required to exercise its regulatory responsibilities consistent with the purposes of that act.

Do you feel there are sufficient funds in personnel and staff to accomplish that particularly in the intensity of the hydroelectric licensing phase which I know the chairman has some considerable interest in?

Chairman O'CONNOR. I would like to submit for the record a written response to that. You are probably significantly more familiar with that act than I am.

[Letters follow—answers included in attached questions for the record.]

JAMES A. McCLURE, IDAHO, CHAIRMAN
MARK O. HATFIELD, OREG.
LOWELL P. WEICKER, JR., CONN.
PETE V. DOMENICI, N. MEX.
MALCOLM WALLOP, WYO.
JOHN W. WARNER, VA.
FRANK H. MURKOWSKI, ALASKA
DON NICKLES, OKLA.
CHIC HECHT, NEV.
JOHN H. CHAFEE, R.I.
JOHN HEINZ, PA.
DANIEL J. EVANS, WASH.
J. BENNETT JOHNSTON, LA.
DALE BUMPERS, ARK.
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BILL BRADLEY, N.J.
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MICHAEL D. HATHAWAY, STAFF DIRECTOR
CHARLES A. TRABANDT, CHIEF COUNSEL
D. MICHAEL HARVEY, CHIEF COUNSEL FOR THE MINORITY

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, D.C. 20510

March 6, 1984

The Honorable Raymond J. O'Connor
Chairman
Federal Energy Regulatory Commission
825 N. Capitol St., N.E.
Washington, D.C. 20426

Dear Mr. Chairman:

On February 9, 1984, you testified before the Committee on Energy and Natural Resources on the President's proposed fiscal year 1985 budget for the Federal Energy Regulatory Commission. During the hearing, Senator Evans raised an issue relating to the Pacific Northwest Electric Power Planning and Conservation Act, which required the Northwest Power Planning Council to develop a fish and wildlife program for the Columbia River Basin. Senator Evans referred to a recent FERC decision containing the conclusion that the fish and wildlife program is not binding on the Commission. However, he suggested that the program may be more than advisory, as it relates to the responsibilities of the FERC.

Subsequently, on February 24 you provided the Committee with written comments on the issue. You stated that the FERC is not bound to accept or adopt the Council's program. Rather, the Commission is required by law to maintain its role as an independent regulatory agency with a national--and not just a regional--perspective.

I fully concur with your position. The Pacific Northwest Power Act provides that the Federal agencies with jurisdiction over hydroelectric facilities on the Columbia River shall exercise their responsibilities, "taking into account at each relevant stage of decisionmaking processes to the fullest extent practicable, the program adopted by the Council under this subsection." 16 U.S.C. § 839b(h)(11). This language falls far short of compelling Federal agency compliance with the policies adopted under the fish and wildlife program.

Your position on the issue is also consistent with the relevant legislative history. On November 19, 1980, during the Senate debate on the bill, the Chairman of the Committee on Energy and Natural Resources, Senator Jackson, expressed his agreement with my statement that no Federal agency could rely on

the provisions of the Pacific Northwest Power Act as the legal basis for modifying an existing Federal license or permit. Senator Jackson stated:

> Yes, I agree completely. For example, the legal effect of this savings clause would be to prevent any effort under paragraph 4(h)(11) of the bill to impose such modifications in the regulation of non-Federal parties, specifically including regulation by the Federal Energy Regulatory Commission under the Federal Power Act and any other laws applicable to the operation of non-Federal hydroelectric projects or other related facilities.

If time had permitted, I would have expressed my views on the issue at the hearing.

Sincerely yours,

James A. McClure
Chairman

cc: Senator Daniel J. Evans

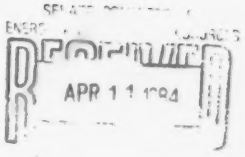
DANIEL J. EVANS
WASHINGTON

United States Senate

WASHINGTON, D.C. 20510

April 6, 1984

Official Committee File



The Honorable Raymond J. O'Connor
Chairman
Federal Energy Regulatory Commission
825 North Capitol Street, N.E.
Washington, D.C. 20426

Dear Mr. Chairman:

I have reviewed the letter of March 6, 1984, sent to you by Senator McClure concerning the relation between FERC duties as an independent regulatory agency and the Northwest Power Planning Council's Fish and Wildlife Program for the Columbia River Basin. I feel some further clarification is necessary concerning the relationship of your agency to that program.

An important distinction to be made concerning the relationship of FERC with the Northwest Council's Program was raised by Senator McClure in that letter. Certainly the Pacific Northwest Power Act had a savings clause that precluded the Act from affecting the validity of any existing license. In my view, Council does not wish to contest or affect the validity of any existing license issued by FERC. However, this does not mean that the Fish and Wildlife Program is merely advisory as it relates to the responsibilities of FERC or that proposals for license modifications cannot be initiated as part of the Program's effort.

Section 4.(h)(11)(A) of the Act provides that "Federal agencies responsible for managing, operating, or regulating Federal or non-Federal hydroelectric facilities located on the Columbia River or its tributaries shall exercise such responsibilities consistent with the purpose of this Act... to adequately protect, mitigate, and enhance fish and wildlife,...affected by such projects or facilities in a manner that provides equitable treatment for such fish and wildlife with the other purposes for which such system and facilities are managed and operated." In particular, Senator McClure's and my interpretations diverge of the following passage 4.(h)(11)(A)(ii) quoted in his letter: "taking into account at each relevant stage of decisionmaking processes to the fullest extent practicable, the program adopted by the Council under this subsection." Senator McClure asserts that this

means that the Council's program is advisory only, a view with which I disagree. Rather, I believe that this language requires FERC and other federal agencies to give careful and serious consideration to the Council's Fish and Wildlife Program.

Furthermore, Senator McClure's concerns do not address applications for new licenses, which are not limited under the Northwest Power Act. Hence, I believe that FERC within its regulatory processes, must consider the Fish and Wildlife Program of the Council to be the strong intent of Congress and act accordingly in the granting of new licenses.

Sincerely,

DANIEL J. EVANS
United States Senator

DJE:pjh

✓cc: Senator McClure

Senator EVANS. That's what I said. I don't want to get into too many details.

All right. The other thing that concerns me is a variation I guess on the same concern the chairman has. I know that you have indicated that you would be making a recommendation very shortly on the question of consolidated proceedings.

The Pacific Northwest Power Council's fish and wildlife program for the Columbia River, of course, calls for FERC to conduct consolidated proceedings where there are multiple hydroelectric project applications really more in an attempt to speed rather than delay the process.

It was our understanding early on that FERC's attitude was that they had to or were forced to look at each one independently, and it took some time to get to the point of considering both consolidated proceedings and that as a way to get at the cumulative effects in a manner that may well not delay but could even speed up some of the process.

Is it your view now that or perhaps that falls in the same bailiwick as your current investigation, but that consolidated proceedings where there are multiple projects on a river basin or a river, stretch of river, can be handled?

Chairman O'CONNOR. I would think that they could be. All this is intertwined with this cumulative impact issue—before 90 days ago I never heard of this issue. In Manhattan we don't have any of this. There's not much hydro in Manhattan.

Senator EVANS. You're a little behind on the agenda with the concern that I think both the chairman and I have. It is going to be terribly important to look at the cumulative impact and the cumulative effects. If we don't do that and don't do that job well, we will just be subject to challenge and further delays.

Chairman O'CONNOR. Yes, sir.

Senator EVANS. It seems to me that aiming in that direction and perhaps working in a consolidated way with a number of applications might even speed the process rather than slow it down.

Chairman O'CONNOR. I would like to stress in that regard the judicial review aspect we have spent an enormous amount of time trying to sort out these different problems in different geographic areas.

The judicial review aspect of this to me is critical, and that is why I tried to stress both the technical and legal options that may or may not be available in looking at these river basins. No matter which way you go, you have got three options. You pick one, and two are going to be losers, and you are going to wind up in court, and so we are trying to come up with the very best technical and the very best legal options.

With the type of controversy that this has created, particularly out in the West we are very concerned about judicial review. I don't think it does anybody any good to have something up on judicial review that is going to be reversed 9 months down the road. Everybody is a loser if that happens, so we are looking at both the technical and legal supportable options.

Senator EVANS. I have one other question, and I would submit this for a written response.

Chairman O'CONNOR. Yes, sir.

Senator EVANS. Apparently there is real concern by the Northwest Power Planning Council that the fish and wildlife program which has been adopted under the proceedings through the Pacific Northwest Power Act of 1980—about a recent decision from FERC which apparently stated with not very much explanation that this fish and wildlife program is not binding on FERC and is advisory only.

That is in considerable contrast to statements of your predecessor in a letter both to me and Senator Hatfield, and I think there is a strong belief that the law, the Pacific Northwest Power Act of 1980, requires much more than fish and wildlife being advisory only, and I will ask in a more particular way and would like very much to get a quite explicit answer from FERC as to just how they view their responsibilities on the fish and wildlife program and their interrelationship under the Power Act.

Chairman O'CONNOR. We will supply that to you.[1]

Senator EVANS. Thank you very much. That's all, Mr. Chairman.

The CHAIRMAN. Thank you very much. There will be other questions that will be submitted in writing for response in writing.

Mr. Chairman, thank you very much for your appearance here this morning. I wish you well on that monumental task you have down there, and we will try to provide you the assets that are necessary to get the job done in a series of very complex areas.

Chairman O'CONNOR. Thank you, Mr. Chairman, for your support.

[Subsequently, the following questions were submitted to Chairman O'Connor. The answers appear in appendix V.]

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[1] Answers included in the attached questions for the record.

U.S SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C., February 14, 1984.

Hon. RAYMOND J. O'CONNOR,
Chairman, Federal Energy Regulatory Commission,
Washington, D.C.

DEAR MR. CHAIRMAN: On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution ot our understanding of President Reagan's proposed budget for Fiscal Year 1985.

In connection with your testimony before the Committee on February 9, 1984, enclosed are questions for the record. Your response by close of business Thursday, February 23, 1984, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

JAMES A. MCCLURE, *Chairman.*

Enclosures.

QUESTIONS SUBMITTED TO CHAIRMAN O'CONNOR, FEDERAL ENERGY REGULATORY COMMISSION

Questions 1-8, submitted by Senator McClure.
Question 9, submitted by Senator Hatfield.
Questions 10-12, submitted by Senators Hatfield and Evans.
Questions 13, submitted by Senator Metzenbaum.
Questions 14-19, additional questions submitted by the Minority.

QUESTIONS FOR CHAIRMAN O'CONNOR

QUESTIONS SUBMITTED BY SENATOR M'CLURE

1. Under the wellhead pricing provisons of the NGPA, substantial volumes of natural gas will be decontrolled on January 1, 1985. As a result, for most of fiscal year 1985, the Commission would have a reduced workload relating to its administration of wellhead ceiling prices and producer rates. However, the fiscal year 1985 request for operating expenses in both of those categories—wellhead pricing and producer rates—is higher than the base number for 1985, and much higher than the fiscal year 1984 appropriation. (See vol. 8, page 14.)

Please explain why the fiscal year 1985 request in these categories has not been substantially reduced, compared to 1984. Alternatively, does your budget reflect enactment of legislation?

2. I note that in your budget request you have stated that one of your management objectives is to "streamline the regulatory process through rulemakings and management improvements" that will reduce internal processing time and minimize the regulatory burden imposed on industry. Also, I recall that the Grace Commission report recommended that the FERC place greater reliance on rulemakings to reduce the number of individual proceedings litigated before the Commission.

Is it the intention of the Commission to place greater reliance on rulemakings in fiscal year 1985? If so, what issues and subject areas would be covered in new rulemaking proceedings?

3. It seems to me that rulemakings on such complex issues as the gas purchasing practices of pipelines become very difficult, because each pipeline has its own unique set of buyers and sellers, market conditions, and their circumstances. Last month, the Commission issued the *Columbia* decision. It took a year for the Commission to decide that case, but it applied to only one pipeline. It was not a rulemaking.

Does the decision provide any guidance or have any value for other pipelines, in terms of how they should conduct their gas purchasing practices? Or the practicality of rulemaking in this area?

4. One of the Commission's specific objectives for fiscal year 1985 is to "implement programs that will enable market forces to operate for decontrolled gas." (P. 15 of budget request). That statement seems somewhat contradictory, since market forces are usually constrained by government programs. I assume that the programs referred to would include contract carriage by pipelines.

Would you explain the Commission's position on the contract carriage issue—that is, the issue of whether mandatory contract carriage is necessary to send the proper market signals to producers?

What other types of programs does the Commission plan as a way of promoting the operation of market forces?

5. Chairman O'Connor, the Federal Energy Regulatory Commission imposes fees on dams to recover the cost of administering the hydroelectric program. These fees are not based on the actual administrative cost to the FERC for the individual hydroelectric project, but rather are intended to recover the budgetary cost of administering the program.

As a result, FERC administrative fees have grown astronomically. For example, in the four years from 1978 to 1982 these fees have increased 180% for the Brownlee dam; they have increased 240% for the Bliss dam; they have increased 242% for the C J Strike dam; they have increased 243% for the Oxbow dam; they have increased 267% for the Lower Salmon dam; and they have increased 303% for the American Falls dam.

All of these dams have been licensed previously and therefore the actual administrative costs to the FERC for these dams is now virtually nil.

Question. Since these fees are passed on to electricity customers in the form of higher prices, my question is: What is the Commission doing to stop the extraordinary increases in these fees?

6. Chairman O'Connor. I assume that you are aware that the Committee is currently considering action on S. 1132, having to do with annual charges on federal facilities.

Question. In light of the ongoing Committee action, what plans does the FERC have at this time for pursuing your annual charges rulemaking?

7. Chairman O'Connor, there is a growing concern by hydroelectric developers about the seeming inability of the Commission to process hydro applications in a timely manner.

Developers are spending many thousands of dollars seeking to develop a potential hydro site, but have not received a speedy determination from the FERC as to whether they can proceed with their project.

For some, a rapid FERC decision is critical to the economic viability of their project; for others a rapid decision is essential for their personal well-being.

Question. My question Chairman O'Connor is: What are your plans to speed up the processing of the numerous applications currently pending before the Commission?

8. Chairman O'Connor, on November 18, 1983, the Orofino Falls Hydro Limited Partnership filed a request for expeditious processing of its hydro license application.

Question. Does the Commission intend on responding to this petition?

QUESTION SUBMITTED BY SENATOR HATFIELD

9. On January 24, 1984, I wrote to you regarding the hydroelectric projects proposed in the Hood River Basin by the Middle Fork Irrigation District and the Farmer's Irrigation District. In that letter I stressed the importance of early action on these projects by FERC, due to the minimal environmental impact, and the problem with significant losses due to current power sales contracts the districts have with utilities. What is FERC doing to expedite these applications and how soon can the irrigation districts expect an answer to their applications?

QUESTIONS SUBMITTED BY SENATORS HATFIELD AND EVANS

10. Under the Northwest Power Act (P.L. 96-501, December 5, 1980) FERC is required to exercise its regulatory responsibilities consistent with the purposes of that Act (4(h)(11)(A)(i)). Has FERC budgeted the funds to ensure that this will happen? How many staff persons does FERC currently have stationed in the Pacific Northwest working on hydroelectric licensing? How many persons does it plan to have in the Pacific Northwest in the future?

11. The Act required the Council to develop a comprehensive program to protect, mitigate, and enhance the fish and wildlife of the Columbia River Basin and its tributaries and to adopt an energy plan for use in meeting the Pacific Northwest's energy needs for the next twenty years. On November 15, 1983 the Council adopted the Columbia River Basin Fish and Wildlife Program and on April 27, 1983 the Northwest Conservation and Electric Power Plan was adopted incorporating the Fish and Wildlife Program. Does this plan constitute a "comprehensive plan" sufficient for the purposes of meeting the requirements of Section 10(a) of the Act? If not, what actions by the Commission, Congress or the Council would be required to allow the plan to serve such a purpose? Would FERC be duplicating the work of the Council in developing a comprehensive plan of its own?

12. The Council's Fish and Wildlife Program for the Columbia River Basin calls for FERC to conduct consolidated proceedings in river basins where there are multiple hydroelectric projects and to assess the cumulative effects of these projects. Does FERC intend to conduct consolidated proceedings and to carry out cumulative impact assessments, and have they budgeted the necessary funds to do so?

QUESTION SUBMITTED BY SENATOR METZENBAUM

13. Recent press reports indicate that Mr. William Satterfield has been appointed as the new FERC General Counsel.

(a) Please provide a statement of Mr. Satterfield's qualifications for the job of General Counsel, including a description of his relevant legal experience in the areas under FERC's jurisdiction.

(b) Please describe the process by which you chose Mr. Satterfield for this important position. Were other candidates considered? What consideration was given to present employees in the Office of General Counsel at FERC?

ADDITIONAL QUESTIONS SUBMITTED BY THE MINORITY

14. Your FY 1985 budget request assumes FERC will collect $60 million in fees, annual charges and other revenues to offset nearly three-fifths of the cost of operating the agency. Last year, the Administration proposed that the agency be required to collect $60 million from revised fee schedules and retain those revenues to offset program operating expenses. The Congress rejected that approach as an unrealistic way to run an administrative agency. Instead, the FY 1984 appropriations bill specified that the FERC's full budget authority would remain available throughout the fiscal year, subject to reduction from fees only as revenues from such fees became available.

(a) How much did FERC actually collect from these same sources in FY 1983? How much has been collected so far in FY 1984? How much do you project will actually be collected in FY 1984?

(b) Is the $60 million estimate predicated on the enactment of legislation sought by your predecessor and now pending before this Committee to allow FERC to generate more revenue from fees?

(c) Would you agree that it would be more prudent to appropriate sufficient funds to operate all FERC programs for the fiscal year and provide in the legislation that any revenues received be returned to the Treasury?

(d) If Congress were to approve the President's budget request for your agency and therefore not necessarily provide you with sufficient funds to operate for the entire fiscal year, and if your revenues fall short of your $60 million projection, how would FERC pay its bills?

15. Last year's FY 1984 budget request included $5 million for FERC to relocate. No funds are requested for FY 1985. What happened to the Commission's plans to move to a safer location?

16. Your prepared statement includes a very brief discussion of what could happen to wellhead natural gas prices on January 1, 1985 under the NGPA. It states that, "Absent renegotiation, the price as determined under many of these decontrolled contracts is likely to be in excess of prevailing prices."

(a) What evidence do you have to support this conclusion?

(b) If Congress does not enact new natural gas legislation to limit the effect of indefinite price escalator clauses upon expiration of NGPA price ceilings, what authority does the Commission have to use to limit the operation of those clauses?

17. Your prepared statement also includes a brief discussion of potential take or pay liability by interstate pipelines.

(a) Based upon filings to date at the Commission, what is the extent of actual prepayments for gas not taken made to date by pipelines under your jurisdiction?

(b) Based on those same filings, what type of prepayments do you project will actually be made in 1984? In 1985? In 1986?

18. Does your FY 1985 hydropower budget assume any change in the licensing threshold for hydropower projects?

19. Have you reviewed H.R. 555, the Construction Work in Progress Policy Act of 1983 which passed the House of Representatives on February 8, 1984? It would limit the recovery by public utilities of certain cost of construction work in progress and would partially overturn the Commission's recent CWIP rule. Do you support its enactment? Do you support any amendments to it?

The CHAIRMAN. Yes, sir. Thank you. Our next witness will be Hon. Edward E. Noble, Chairman of the Board of the U.S. Synthet-

ic Fuels Corporation. Mr. Noble, you are again welcome before this committee.

As you know from your past appearances here, as well as the private conversations that you have had with various members of this committee, this committee is very interested in the Synthetic Fuels Corporation. I guess it would not be unfair to say also very concerned about its progress and the program that has been undertaken.

We look forward to hearing your testimony this morning.

Mr. NOBLE. Thank you, sir.

The CHAIRMAN. Senator Warner.

Senator WARNER. I thank you, Mr. Chairman. I have to chair the Rules Committee at 11:30, and therefore may not be here in time for the questioning period.

Mr. Noble, I will submit some questions primarily related to the coal industry, concerns expressed by the United Mine Workers.

I had a meeting with their board of directors this week and they are quite anxious to receive your testimony today and receive your reply to several questions that I will now have to propound for the record in view of the delay of your hearing here this morning.

Mr. NOBLE. I will be happy to submit them, sir.

The CHAIRMAN. Thank you very much, Senator. Mr. Noble, you may proceed.

STATEMENT OF HON. EDWARD E. NOBLE, CHAIRMAN OF THE BOARD, SYNTHETIC FUELS CORPORATION, ACCOMPANIED BY JEFFREY A. LIPKIN, GENERAL COUNSEL, SYNTHETIC FUELS CORPORATION; OWEN MALONE, ETHICS OFFICER, SYNTHETIC FUELS CORPORATION; AND HOD THORNBER, VICE PRESIDENT, FINANCE, SYNTHETIC FUELS CORPORATION

Mr. NOBLE. Mr. Chairman, members of the committee, I appreciate having the opportunity this morning to discuss with you the activities and progress of the U.S. Synthetic Fuels Corporation in implementing the Energy Security Act.

The purpose of the act is to encourage the emergence of a domestic synthetic fuels industry by supporting an initial group of pioneer projects now rather than waiting for their development in response to normal market forces.

This initial group of plants should represent a mix of technologies, provide experience with all major resources, and produce products which can be readily substituted for imported oil.

Our program at the Corporation seeks to achieve all of these goals of the act not in so massive a way as to mislead the marketplace, but in a responsible and prudent manner consistent with current realities and competing national priorities.

The project solicitation schedule and basic business plan I am submitting to you today lays out the Corporation's program of project activity and costs for roughly the next 18 months. This business plan is explicit both as to the progress that we have made. The emphasis to this point has primarily been in the shale area and the emphasis and the stress that we are putting on coal for the year 1984. I think it is something that you should look at—and I

will be happy at any time to answer questions about it, whether now or later.

Senator WARNER. I will be pleased to look at that because I and other members of this committee have emphasized to you the need to put more focus on the coal, and you have done that this year?

Mr. NOBLE. Yes, sir, very definitely, and it is very explicit in this business plan which we laid out in the complete testimony.

As you will note, our project program is designed to provide the country with significant experience in the key synthetic fuels resources and conversion technologies, and it estimates production totals in terms of both nameplate capacity and onsite expansion capability for this basic project program.

I believe the project solicition schedule and basic plan together give a very clear indication as to the progress of our efforts to meet the diversity and production goals of the Energy Security Act.

In 1983, the Corporation succeeded in bringing to the term-sheet stage a technologically diverse and economically responsible slate of projects for the oil shale resource. Our plan is to concentrate fully on the coal resource in 1984 and to assemble a similarly complete slate of projects for this critical resource.

I would also like to mention, however, that 1983 did provide two important breakthroughs in the coal area. In July, the Corporation awarded a $120 million price guarantee to the cool water project, a combined cycle facility utilizing western bituminous coal. This fall the Tennessee Eastman project began the commercial production of methanol from Appalachian coal, and I might add that this project is not receiving any Federal assistance.

Our intention in 1984 is to carry forward the development process for a broadly representative group of coal projects. I would particularly like to emphasize this morning that we can now confidently estimate significant levels of project award activity in 1984 and 1985 precisely because we have worked with care and consistency over the past three years toward the always clear goal of responsible project awards. The market has been a receding target, industry interest was flat, but we have understood our obligations under the Energy Security Act and we have moved methodically.

I sincerely believe that because of our flexibility and patience in developing a responsible program, that I can honestly tell this committee today that despite the market, the Corporation will largely succeed in achieving the goals Congress set out in the Energy Security Act. We will give the country the ability to utilize our vast solid fossil energy resources to meet our liquid fuel needs.

Once the synthetic fuels options is proven, the country will have essentially achieved that degree of energy security and economic stability which Congress sought in passing the Energy Security Act.

Thank you, Mr. Chairman, and I will be glad to try to answer your questions.

[The prepared statement of Mr. Noble follows:]

United States Synthetic Fuels Corporation
2121 K Street, N.W. Washington, District of Columbia 20586 Telephone: (202) 822-6600

Testimony of Edward E. Noble, Chairman
U.S. Synthetic Fuels Corporation
Before the Committee on Energy & Natural Resources
February 9, 1984
Washington, D.C.

Mr. Chairman, Members of the Committee: I appreciate having the opportunity this morning to discuss with you the activities and progress of the U.S. Synthetic Fuels Corporation in implementing the Energy Security Act. The purpose of the Act is to encourage the emergence of a domestic synthetic fuels industry by supporting an initial group of pioneer projects now, rather than waiting for their development in response to normal market forces. This initial group of plants should represent a mix of technologies, provide experience with all major resources, and produce products which can be readily substituted for imported oil. Our program at the Corporation seeks to achieve all of these goals of the Act, not in so massive a way as to mislead the marketplace, but in a responsible and prudent manner consistent with current realities and competing national priorities.

Each year I have presented a programmatic budget to the Committee, indicating the number of projects which the Corporation hoped to assist in that particular fiscal year. No one is more aware than I that we have not awarded assistance as quickly as anticipated, although we have largely held to our solicitation and evaluation schedule. Last year, for example, I indicated that in fiscal 1984 the Corporation would issue targeted solicitations, and we have issued five to date. We have also proceeded systematically through project evaluations and are presently negotiating with 19 projects.

The directors have not met the award schedule because the projects before us developed more slowly than we had expected, and we could not responsibly fund projects which were not fully mature. This slower pace of awards resulted primarily from dramatic changes in energy and economic conditions throughout the free world. During the entire time we have sought to implement the Act, the directors have worked against an energy market moving away from synthetic fuels. In 1980 we were conservatively talking about oil prices of $50.00 to $60.00 per barrel by 1985; today we are not sure that OPEC will be able to hold a $29.00 per barrel price through the summer. The directors have considered on many occasions the implications of these altered conditions; we have always concluded that, despite the short term outlook, it is clearly in the country's long term national interest to move now to develop the ability to utilize our enormous domestic reserves of solid fossil energy. This is what we have termed "the synfuels option" -- the proven ability of the United States to provide for our own long term energy security.

The directors understood that we had latitude within the Phase I time constraints of the Energy Security Act to exercise sound business judgment in determining when an award of assistance was merited. Our obligation is to develop and support sound projects which will be built and operated, to provide experience with a multiplicity of technologies and resources. Precipitous awards to immature projects would not only have thwarted early national experience with synthetic fuels, but could also have seriously delayed ultimate market driven emergence of the industry.

After almost three years of hard struggle, however, I sincerely believe I can report to you this morning that Congress' vision and foresight in passing the Energy Security Act should become increasingly clear over the next 18 months as the Corporation succeeds in concluding a number of project assistance awards. We believe we will be able to implement a program which provides a diversity of technological experience for all the major synthetic fuels resources, and which does so in a financially responsible manner consistent with other important national priorities.

A Project Solicitation Schedule and Basic Business Plan for the Corporation are attached to this testimony. The Schedule was adopted by the Board in January and the plan will be considered at our meeting next week. This Plan has been formulated on the basis of solicitations issued and projects currently in negotiations. It reflects what I estimate will be the most likely slate of projects assisted in terms of their technology/resource mix, production potential, and approximate cost, although I must emphasize that the dollar amounts are just estimates and necessarily subject to negotiation.

I would also like to note for the record that our Basic Business Plan is fully consistent with the funding levels provided for the Corporation in the Appendix to the President's Budget for Fiscal Year 1985. The Corporation's actual total unused program authority at the beginning of fiscal 1984 was $14.75 billion. Our basic program estimates commitments in fiscal years 1984 and 1985 of about $11.0 billion to satisfy the resource and technology diversity objectives of the Energy Security Act. The roughly $4.0 billion which remains will be used for additional coal or shale projects and for reserve contingencies, as the directors determine appropriate with respect to the production goals and diversity objectives of the Energy Security Act.

In beginning my presentation this morning, I would like to review the status of projects presently in negotiations with the Corporation. Then I will discuss how the directors see our program progressing in 1984, and how we anticipate it will meet the goals of the Energy Security Act.

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THE PROGRAM

In July, 1983 the Board of Directors executed an assistance contract in the amount of $120 million with the Cool Water Coal Gasification program in Daggett, California. This project uses western bituminous coal in a Texaco Gasifier/General Electric combined cycle facility to produce 4,300 barrels of oil equivalent per day (BOED). This combined cycle process is one of the cleanest ways known today for utilizing coal in the production of electricity. It offers existing electric utilities a means of expanding generation capacity in relatively small (100 to 300 megawatts), low-risk increments, and the process is applicable to virtually all utilities in the country.

Also in July 1983, the Board reached consensus that the terms and conditions agreed to at the staff level between the Corporation and the Cathedral Bluffs oil shale project were satisfactory and that, as Chairman, I should sign a letter of intent with the project. I did so, on July 28, 1983. This non-binding letter of intent stipulates that the Corporation will assist the project with loan and price guarantees in the total amount of $2.19 billion. The project will use the Union B surface retorting process plus Occidental Petroleum Company's modified in situ process to produce 14,300 barrels per day of upgraded premium synthetic crude from Colorado shale.

In December 1983, the Board of Directors agreed that I should sign letters of intent with Union Oil Company's Parachute Creek Shale Oil project, Phase II and with the Seep Ridge oil shale project. The Parachute Creek, Phase II project represents a next generation technology, the Union C retort; the letter of intent calls only for price guarantees, including incentive payments for the new technology advance, in the total amount of $2.7 billion for 42,000 barrels per day of production. The product is premium synthetic crude; the next generation technology, more efficient because it utilizes the residual carbon in the spent shale to produce gas for the retorting process, is expected to reduce operating costs by $5.00-6.00 per barrel over the original Union B retort process now in start-up in the Parachute Creek Shale Oil Program, Phase I. Indications of economies of scale and experience are seen in the provisions of the term sheet, which calls for $1.95 billion in price guarantee assistance for the initial 21,000 barrel per day increment, but only $750 million in assistance for the second 21,000 barrel increment, which will also take one less year to construct. The Corporation projects that the third increment will likely be market competitive.

Seep Ridge is the third oil shale project for which the Board has agreed to a letter of intent. This project, utilizing Geokinetics' LOFRECO process, is a true in situ project which, when proven at commercial scale, will enable the nation to tap broad, shallow oil shale reserves, especially prevalent in Utah and also found in the east. This is in contrast to Occidental's modified in situ process used in the Cathedral Bluffs project, which will process the extensive deep shale oil resources within the central Green River Formation. The letter of intent for Seep Ridge provides for $45 million in loan and price guarantees for 1,000 BOED of raw shale oil. This will then be sold to Salt Lake City refineries for upgrading and sale on the open market and to the Department of Defense as jet and diesel fuel.

The total amount of Corporation authority identified in these three letters of intent is $4.94 billion, and we do expect to conclude agreements with each of these projects. In addition, the Board has agreed that, after we make our initial cut at coal projects in April 1984, we will consider further any other shale projects which might offer us programmatic diversity in terms of resource or technology.

It should also be noted that, with respect to eastern versus western oil shale deposits, we are finding greater process applicability with eastern shales than had been previously thought. We are also finding that the economics of developing eastern versus western shale reserves are relatively close. The west generally has deeper and richer resources, but virtually no infrastructure. The east, in contrast, has generally poorer quality shales but lower near-surface mining costs, more extensive infrastructure in place, and greater skilled workforce available.

The Corporation currently has in negotiation five tar sands/heavy oil projects.1/ These represent a diversity of resource and process, and the Corporation does expect to make more than one financial assistance award within this resource. Also, tar sands/heavy oil projects are eligible to apply in our fourth general solicitation, and we anticipate proposals in this resource.

Coal is the most extensive fossil energy resource in the United States, but it is also at present the most complex and costly to convert. Still, because of its magnitude and geographic distribution, coal is an essential resource for any successful Phase I synthetic fuels program, and it will be the focus of Corporation activity in 1984. We are currently negotiating with four coal projects under the third general solicitation; they are:

1. Byrne Creek project, which proposes an underground coal gasification process to convert western subbituminous coal into medium Btu gas for industrial use;

2. Dow Syngas project, which proposes to use the Dow gasifier to convert western subbituminous coal into medium Btu gas for industrial use and electric power generation;

3. Memphis project, which proposes to use the U-gas process to convert midwestern bituminous coal into medium Btu gas for industrial use and pipeline quality high Btu gas;

4. North Alabama project, which proposes to use the GKT or Texaco gasifier to convert midwestern bituminous coal into methanol for use in premium blend transportation fuels.

1/ These are the Chaparrosa Ranch, Forest Hill, HOP Kern River, Kentucky Tar Sand, and Sunnyside projects.

When I appeared before this Committee last year I discussed the Corporation's decision to issue targeted solicitations, to fill major programmatic needs. While we did issue one solicitation targeted to western oil shale projects, the programmatic need was greatest in the coal area, and we have directed our targeted solicitations to this resource. In fiscal year 1983 we issued solicitations for Gulf Coast lignite and eastern and midwestern bituminous coal.

From the lignite solicitation, we are now in direct negotiations with the Arkansas Power and Light project which proposes to use a Dow gasifier to convert Arkansas lignite into medium Btu gas for industrial cogeneration use.

Under the eastern/midwestern bituminous coal solicitation, the Corporation has determined three projects to be qualified bidders. Technical proposals and bids are due on March 6, 1984.

1. COGA-1 will gasify midwestern bituminous coal using the Texaco gasifier to produce 13,750 BOED of ammonia.

2. Louisiana Synfuels proposes to use the Slagging Lurgi process to gasify midwestern bituminous coal to produce 10,000 BOED of medium Btu gas which will be marketed to the Georgia Pacific Corporation.

3. Sharon Steel project proposes to use the Kloeckner molten iron process to gasify eastern bituminous coal to provide 10,000 BOED of medium Btu gas to fuel its steel furnaces and for sale.

In January 1984 the Board of Directors issued two new targeted solicitations, one for general coal and lignite gasification projects, and one for coal-water mixture projects; we also tentatively approved two additional solicitations, one for retrofit projects and one for projects generally eligible within the coal, oil shale, and tar sands/heavy oil resource categories of the Energy Security Act. Under the general coal or lignite gasification solicitation, which closed on February 2, 1984, the Great Plains Gasification project submitted a proposal which is now under staff review. Proposals under the coal-water mixture solicitation may be either for industrial use (1,000 BOED minimum) or for electrical utility use (3,000 BOED minimum). Initial qualification proposals are due on June 15, 1984, and one award in each category is expected under the solicitation.

The retrofit solicitation is intended to reach those potential coal projects which are not economically viable on a stand-alone basis, even with Corporation assistance. By using an existing facility, a project may substantially reduce its costs in terms of infrastructure and environmental permitting. The retrofit solicitation is designed to attract additional diverse project proposals at relatively modest cost to the Corporation, including the possibility of at least one proposal for a single train direct liquefaction project.

The fourth general solicitation is the directors' response to a number of requests for special solicitations. In addition, the directors also hope that any other projects which have continued to spend money on development and to mature during the Corporation's three-year solicitation process will now apply for assistance. The purpose of the fourth solicitation is to assure that every mature synfuels project which is potentially viable and programmatically significant has another opportunity to apply for assistance from the Corporation during the current period.

THE FUNDING

Funds for Corporate activities have been appropriated to the Energy Security Reserve fund in the Treasury Department. The Interior Department Appropriation Act and the Supplemental Appropriations Act of 1980 appropriated $17,522,000,000 to the Energy Security Reserve for synthetic fuel programs. These and subsequent appropriations provided the following:

- $6,000 million which was immediately available to the Corporation (on July 8, 1980);
- $5,310 million ($300 million of which was later rescinded) was available for transfer from the Department of Energy (DOE) insofar as not committed or conditionally committed by DOE; unobligated balances in the amount of $2,694 million were subsequently transferred;
- $6,212 million which was made available after June 30, 1982; so that
- A total of $14,906 million was subsequently available to the Corporation.
- Application of administrative expenses from FY 1981 through FY 1983 and the commitment of one project has subsequently reduced the balance to $14,751 million.1/

Through fiscal 1983, $34.8 million has been expended for administrative operations of the Corporation, including generic studies and specific reviews of projects. These expenses are expected to amount to $28.6 million in FY 1984, and $27.4 million in FY 1985, reflecting the completion of staffing plans to handle intensified project evaluation, negotiation, documentation, and monitoring activities.

Fees accrued and collected under Section 139(a) in FY 1983 amounted to $0.6 million. In FY 1984, an estimated $21.0 million will be accrued and $12.0 million is estimated for FY 1985. These fees may be used to offset administrative expenses.

1/ Excluded is $1.15 billion of unused loan guarantees for the Oil Shale Corporation, now under review by the GAO.

Financial assistance awards in FY 1983 totalled $120 million and are estimated to total $10.3 billion in FY 1984 and $4.4 billion in FY 1985.1/

When the Corporation was declared operational by Executive Order No. 12346 in February 1982, five of seven Board members had been confirmed by the Senate and the Corporation had a staff of 112. By the end of FY 1982 the Board was at full strength and Corporate staff had grown to 177. For FY 1983 a net of 22 staff members were added for a total of 199 professional and support personnel. Levels for FY 1984 are estimated at 239 and for FY 1985 at 232. These figures include professional staff levels which are, respectively, 47 percent and 49 percent below the authorized level of 300 professional staff members. The policy of the Corporation's Board of Directors has been to maintain a level of staffing and administrative expenses which is low relative to the volume of work. The public corporation framework established by the Congress makes this possible by eliminating many burdensome federal administrative requirements.

THE COMPREHENSIVE STRATEGY

The directors have concentrated for the past 30 months largely on projects, because we recognized that these would form the basis for the Corporation's comprehensive strategy. Our view in this regard has not changed. Staff is well into the initial drafting on required sections of the strategy. The Comprehensive Strategy Committee of the Board has been meeting semi-monthly since the fall to provide direct guidance for the effort. A working outline for the strategy is attached to this testimony.

The Energy Security Act provides that the directors submit the comprehensive strategy in June 1984, with the possibility of requesting a delay of up to one year. The directors have discussed this possibility, but have not yet determined if we should seek an extension. We have noted the guidance of Congress in this regard, for example the Senate Appropriations Committee's report language in the fall of 1983, which suggested that an extension of time might be advisable. We have also considered that our project solicitation and award process would be more complete and our experience, especially in the coal area, more significant were we to seek an extension for submitting the strategy. We have discussed the question with members of our oversight committees in the House of Representatives and, at least initially, found some support for a delay. More recently, however, we have received guidance from key members of the House suggesting a fairly strong preference that we submit the strategy in June. The directors expect to consider this matter further at our upcoming meetings, and we would welcome further guidance from this Committee as well.

1/ Because of the uncertainty of either the actual number of awards or total obligational authority commitment for each award in FY 1984 and FY 1985, these numbers are provided as best estimates within the total funding authority available to the Corporation.

THE PLAN LEADING TO THE GOALS

At our January 1984 meeting, the directors issued a Project Solicitation Schedule for the calendar year. Since the Corporation operates within a Phase I time constraint under the Energy Security Act, and since 1984 is the pivotal year in which we plan to complete as much of our solicitation and award process as possible and formulate a comprehensive strategy, it seemed reasonable to set out clearly, for project sponsors, industry, and others interested in synthetic fuels, precisely how the directors proposed to proceed.

A basic and diversified oil shale program has proceeded to letters of intent, as indicated earlier in this testimony. Documentation is moving in an orderly fashion, and we should have closure on shale projects this year. A number of tar sands projects are also under negotiation, and we expect additional proposals under the fourth general solicitation. Thus, in 1984 we will focus on coal. The various coal-specific solicitations I have just described reflect the directors' programmatic judgments within this resource.

Despite the complexity and cost of coal conversion and the weakened energy market, the directors continue to believe that some significant experience with coal is essential for the country. We have been working closely with potential coal sponsors for many months and expect significant progress this year, assuming we are able to maintain our program continuity. Any serious attempt to alter Corporation funding levels or to limit our authority, however, would likely halt the development of coal projects. One of our greatest challenges has been to overcome the inherent distrust of the private sector towards government. The independent status of the Corporation has been an important asset in establishing rapport with industry, and despite energy markets, we have been seeing real movement in synthetic fuels projects. Shale came together in 1983 and we are hopeful that, if we can hold to a steady course, we will have similar success with coal in 1984.

With respect to the production goals of the Energy Security Act, the directors have examined a number of possibilities. But given the changed energy and economic conditions, along with the enormous complexity and high cost of constructing pioneer synthetic fuels plants, we have concluded that nameplate synthetic fuel capacity equal to the production goals of the Act is probably neither possible nor advisable today. We have also considered, however, that Section 125 of the Energy Security Act requires that we seek to establish a "production capability" of 500,000 barrels per day of synthetic fuel production by 1987 and 2,000,000 barrels per day by 1992. As we indicated in our 1983 Annual Report, we believe the term "production capability" can arguably be defined either as actual nameplate capacity or as the total expansion capability for projects on-site and on identifiable sites.

The Basic Business Plan we have developed identifies total nameplate capacity and also the more broadly defined on-site "production capability" of each project now in start-up, construction, or likely to receive awards from the Corporation. Expansion at other identifiable sites would add yet more "production capability" to the figures in the chart. Particularly using the

broader definition, the directors believe the production potential for synthetic fuels is consistent with Congressional intent in passing the Energy Security Act in 1980. We also believe acceptance of the broader definition is more compatible with present day realities and will convey effectively to the rest of the world this country's determination to be energy secure under any circumstances.

In testimony before the Subcommittee on Fossil and Synthetic Fuels of the House Committee on Energy and Commerce, I have twice discussed the desire of the directors for a clarification from Congress on the advisability of proceeding under the broader definition of "production capability." We have received some positive response, and we would very much welcome guidance from this Committee on the question.

* * * *

In concluding, Mr. Chairman, I would like to emphasize that the programmatic goals and objectives of the Corporation from fiscal year 1982 through fiscal year 1985 have not changed. Our ultimate goal is a market competitive domestic synthetic fuels industry; our immediate Phase I objective has been development of a number of diverse plants which will provide the data base and infrastructure on which the industry can grow. The Board has moved prudently toward these goals, refusing to award assistance too early despite the criticism, and refusing also to bend too easily with quickly shifting external conditions. We are businessmen and we have operated according to our experience. We believe we have exercised sound business judgment in our decisions; we have run the Corporation as we would a business. We have made the contribution of time and the sacrifice of personal exposure because we believe in this program. Synthetic fuels can provide the United States with an enormous edge. This is why we persevere: We are determined to succeed because we believe a proven synthetic fuels option is a vital national interest; a synthetic fuels option is a kind of national "insurance policy" which will guarantee the country energy security well into the next century.

Attachments

SFC Project Solicitation Schedule

	1983 DEC	1984 JAN 5	FEB 2/10	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	1985 1st QTR.
2nd GENERAL SOLICITATION			Term Sheets Deadline				Contract Awards Deadline							
3rd GENERAL SOLICITATION					Term Sheets Deadline			Contract Awards Deadline						
DIRECT NEGOTIATIONS / GULF COAST LIGNITE						End of Negotiations Contract Awards Deadline								
EAST./MID WEST. BITUMINOUS COAL	Submission of Qualification Proposals	Identification of Qualified Bidders		Submission of Technical Proposal and Competitive Bid	Selection of Winning Bidder		Negotiation of Financial Assistance Agreement		Contract Awards Deadline					
COAL-WATER MIXTURE SOLICITATION		Formal Issuance of Solicitation					Submission of Qualification Proposals	Identification of Qualified Proposals		Full Capital Commitment			Term Sheets Deadline	Contract Awards Deadline
GENERAL COAL GASIFICATION SOLICITATION	Tentative Issuance of Solicitation	Formal Issuance of Solicitation	Submission of Proposals Identification of Qualified Proposals		Term Sheets Deadline				Contract Awards Deadline					
RETROFIT SOLICITATION		Tentative Issuance of Solicitation	Formal Issuance of Solicitation		Submission of Qualification Proposals		Identification of Qualified Proposals (June 21)		Term Sheets Deadline (August 15)		Contract Awards Deadline (October 18)			
4th GENERAL SOLICITATION		Tentative Issuance of Solicitation	Formal Issuance of Solicitation		Submission of Qualification Proposals			Identification of Qualified Proposals		Term Sheets Deadline		Contract Awards Deadline		

USSFC -- 1/5/84

Basic Business Plan

	Estimated Obligational Authority ($ Billions)	Resource	Technology	Nameplate Production Capacity (BOED)	Ultimate Site Production Expansion Potential* (Minimum)	Product	Status
Basic Oil Shale Program:							
Union I	$ ---	Colo.Shale-Mahogany zone	Union B	10,400	---	Upgraded shale oil	Has a $0.4 billion price guarantee transferred to the Corporation from the DOE
Union II	2.7	Colo.Shale-Mahogany zone	Union C	42,152	90,000	Upgraded shale oil	Letter of intent executed
Cathedral Bluffs	2.19	Colo.Shale-deep deposits	Modified in-situ and Union B	14,100	100,000	Upgraded shale oil	Letter of intent executed
Seep Ridge	0.05	Utah shale-shallow deposits	True in-situ	1,000	8,000	Raw shale oil	Letter of intent authorized
	$ 4.94			67,652	198,000		
Basic Coal Program:							
Cool Water	$ 0.1	Western bituminous coal	Texaco	4,300	8,600	medium-BTU gas	Under contract
Eastern or Midwestern Coal Solic.	(est) 1.9	Eastern or Midwestern bituminous coal	Slagging Lurgi, Kloeckner molten iron, or Texaco	10,000 min.	10,000 min.	medium-BTU gas	Under solicitation
Great Plains (under negotiation--whether, and if so, how much, Corporation assistance is needed has not been determined)	--	North Dakota lignite	Lurgi	21,000	84,000	high-BTU gas	In negotiation (has a $2.02 billion loan guarantee contract with the DOE)

* The estimates of ultimate site expansion potential are based on current Corporation staff opinion on the land, water and resource availability for each project and the assumption that appropriate mitigation of environmental limitations, if any, is possible. The estimates should in no way be considered as reflective of the sponsors' current planning for site development.

2/6/84

Basic Business Plan -- Continued

	Estimated Obligational Authority ($ Billions)	Resource	Technology	Nameplate Production Capacity (BOED)	Ultimate Site Production Expansion Potential* (Minimum)	Product	Status
Retrofit projects (two projects)	(est) 0.6	unknown	unknown	6,000 min.	6,000 min.	unknown	Under solicitation
Coal-Water Mixture projects (one industrial and one utility project)	(est) 0.15	unknown	unknown	4,000 min.	4,000 min.	coal-water mixtures	Under solicitation
One or two of the following projects:	(est) 2.2			(est) 16,000	(est) 17,800		
a. Dow Syngas		Western Subbituminous	Dow	(5,172)	(5,172)	medium-BTU gas	In negotiation
b. Arkansas Power and Light		Gulf Coast lignite	Dow	(11,400)	(11,400)	" "	In negotiation
c. Memphis		Midwestern bituminous	U-Gas	(8,621)	(8,621)	" "	In negotiation
d. North Alabama		Midwestern bituminous	GKT or Texaco	(7,341)	(14,700)	methanol	In negotiation
e. additional project from the retrofit, bituminous coal or fourth general solicitation		unknown	unknown	unknown	unknown	unknown	Under solicitation
f. peat project		peat	unknown	unknown	unknown	unknown	In negotiation or under solicitation
	$ 4.95			(est) 61,300 min.	(est) 130,400 min.		
Basic Tar Sands/Heavy Oil Program:							
One Western Tar Sands Project	(est) 0.4	Western tar sands	unknown	5,000 min.	5,000 min.	bitumen	In negotiation or under solicitation
One Eastern Tar Sands Project	(est) 0.4	Eastern tar sands	unknown	5,000 min.	5,000 min.	bitumen	In negotiation or under solicitation
A few smaller, technologically diverse projects (including HopKern)	0.15	Heavy oils/Tar sands	steamflood and other	3,938 min.	30,000 min.	heavy oils/ bitumen	Letter of intent authorized for Hop Kern; others in negotiation or under solicitation
	$ 0.95			13,938 min.	40,000 min.		
Basic Program:	$10.84			142,890 min.	368,400 min.		
Additional coal and shale projects, amounts for Great Plains, and reserve for contingencies:	$ 3.93			unknown	unknown		
Total Program:	$14.77			142,890 min.	368,400 min.		

2/6/84

COMPREHENSIVE STRATEGY OUTLINE

I. Introduction

II. Report on Phase I

- A. Assisted Projects
- B. Solicitation and Negotiation Experience
- C. Non-SFC Project Experience
- D. Changes in the Energy Outlook Since Passage of the Act

III. On Meeting the Production Goals

- A. Analysis of the Resource Bases (Availability, Technologies, Markets, Economics, Environmental Impacts, etc.)
  1. Coal-Liquid Mixtures
  2. Heavy Oil
  3. Tar Sands
  4. Western Shale
  5. Eastern Shale
  6. Eastern/Midwestern Coal
  7. Western Coal
  8. Lignites
  9. Peat
  10. Magnetohydrodynamics/Coal
  11. Electrolysis/Water
- B. The Learning Curve for Pioneer Plants
- C. Attainable Production Within the Time and Cost Constraints
- D. Extending the Time Constraints
- E. Expanding the Types of Incentives
- F. Modifying the Cost Constraint

IV. Alternative Investment Strategies

- A. Defense Fuel Needs
- B. Filling "Holes" in the Initial Slate of Projects
- C. Retention of Infrastructure and Know-How
- D. Market Oriented Incentives versus Direct Government Involvement (including Completion Guarantees)
- E. Financial Strategy and Resource/Technology Mix for Each Production Goal Strategy
- F. Special Incentives for Technology Development
- G. Termination of the Corporation

V. Conclusion

1/5/84

United States Synthetic Fuels Corporation

UNITED STATES SYNTHETIC FUELS

CORPORATION

STATEMENT OF

ADMINISTRATIVE EXPENSES

FY 1985

[This document represents a statement of
Corporate administrative expenses
as contemplated by Section 120 (c) of
The Energy Security Act.]

January 1984

Budget

United States Synthetic Fuels Corporation

Index

		Page
I.	Background	1
	Legislative Basis, General	1
	Budgetary Authority and Limitations	2
	Limitations on Funding	2
	Limitations on Professional Staff	3
	Limitations on Types of Assistance	3
	Source of Funds	4
	Appropriations	4
	Fees	5
	Use of Funds	5
	Operations and Staffing	6
II.	Budget Data	8
	Status of Program Authority	9
	FY 1985 Budget Dollars (By Object & Group)	10
	Administrative Expenses By Organization	11
	Administrative Expenses By Object	12
	Administrative Expenses, History of Authorization Use	13
	Staffing	14
III.	Program Status and Plans	15
	The Estimates	15
	The Solicitation Process	16
	Comprehensive Strategy	22
IV.	Administrative Expense Budget	23
	Summary	23
	Estimates by Organization	24
	Executive Direction	24
	Board of Directors	24
	Legal Services Group	25
	Group Vice President - Operations	26
	Projects Group	26
	Technology and Engineering Group	27
	Policy Development Group	27
	Group Vice President - Corporate	28
	Finance Group	28
	External Relations Group	29
	Administration Group	30
	Inspector General	30
V.	Generic Studies and Specific Reviews of Projects	32

I. BACKGROUND

A. Legislative Basis - General

The United States Synthetic Fuels Corporation was established by Title I of the Energy Security Act (Public Law 96-294; 94 Stat. 611; 42 USC 8701 note) to provide financial assistance to qualified concerns toward achievement of the national goal of synthetic fuel production capability from domestic resources. The Act states the following purposes for the Corporation: improve the Nation's balance of payments, reduce the threat of economic disruption from oil supply interruptions, and increase the Nation's security by reducing its dependence upon imported oil.

The Act seeks to accomplish these purposes by:

- creating the United States Synthetic Fuels Corporation, a federal entity of limited duration, to provide financial assistance to undertake synthetic fuel projects;
- expediting the development by private industry of the production of synthetic fuels which have national defense applications and which meet the national production goals set forth in the Act;
- providing for financial assistance, preferably on a contingent basis, to encourage and ensure the flow of capital funds to those sectors of the national economy which are important to the domestic production of synthetic fuels; and

- encouraging but not competing with or supplanting, private capital investment and activities in the development of domestic sources of synthetic fuels and fostering competition in the development of the Nation's synthetic fuel resources.

B. Budgetary Authority and Limitations

Section 120(c) of the Act authorizes the Corporation to incur limited expenditures for reasonable and necessary administrative expenses in accordance with a detailed statement of such expenses to the Congress to be transmitted along with the President's proposed budget.

The Act characterizes the Corporation as an off-budget entity because its direct corporate financial transactions are not included in the receipts, outlays, balances, and deficit in the President's budget. However, Corporation funds are derived from the Energy Security Reserve account in the Treasury Department and are treated as obligations and outlays of the Treasury Department. Such amounts are shown "on-budget."

Limitations on Funding

The Corporation is authorized to expend up to a stipulated maximum amount for administrative expenses in any one fiscal year. The maximum amount was initially established at $35 million. This amount is adjusted annually by a specific formula which is based upon an amount equal to the change in the GNP Implicit Price

Deflator starting with fiscal year 1979. Accordingly, the limitations on the Corporation's administrative expenses in fiscal year 1985 will be computed as follows:

GNP Implicit Price Deflator, Base Year (FY 1979)	162.77
GNP Implicit Price Deflator, 1984 - estimate	222.67
Administrative Expenses Limitation for FY 1985	$47,880,000

$$(\$35,000,000 \times \frac{222.67}{162.77} = \$47,880,000)$$

An additional limitation is set at $10.0 million per year for generic studies and specific reviews of projects.

Limitations on Professional Staff

Section 117(d) of the Act provides that the Corporation is authorized to employ no more than 300 individuals in full-time professional (exempt) positions at any time.

Limitation on Types of Assistance

The Act provides for the Corporation to give financial assistance in the form of price guarantees, purchase agreements, loan guarantees, loans, joint ventures and construction contracts. It also authorizes cost sharing agreements to refine sponsors' cost estimates where a Corporation loan or loan guarantee is contemplated.

C. Source of Funds

Appropriations

Funds for Corporate activities have been appropriated to the Energy Security Reserve fund in the Treasury Department. The Interior Department Appropriation Act and the Supplemental Appropriations Act of 1980 appropriated $17,522,000,000 to the Energy Security Reserve for synthetic fuel programs. These and subsequent appropriations provided the following:

- o $6,000 million which was immediately available to the Corporation (on July 8, 1980);
- o $5,310 million ($300 million of which was later rescinded) was available for transfer from the Department of Energy (DOE) insofar as not committed or conditionally committed by DOE; unobligated balances in the amount of $2,694 million were subsequently transferred;
- o $6,212 million which was made available after June 30, 1982; so that
- o A total of $14,906 million was subsequently available to the Corporation.
- o Application of administrative expenses from FY 1981 through FY 1983 and the commitment of one project has subsequently reduced the balance to $14,751 million.

Fees

The Corporation is authorized by Section 139(a) of the Act to charge and collect certain fees in connection with financial assistance provided under the Act. These fees are not to exceed one percent of the amount of such financial assistance and may be applied against administrative expenses related to providing financial assistance and probable losses.

Until such time as financial assistance was actually provided and administrative fees collected, the Corporation defrayed all administrative expenses out of funds appropriated to the Energy Security Reserve.

The Corporation is required by Section 139(b) of the Act to charge an annual loan guarantee fee of one-half of one percent in connection with loan guarantees, but the proceeds of these fees are not available for administrative expenses.

D. Use of Funds

Through FY 1983, $34.8 million has been expended for administrative operations of the Corporation, including generic studies and specific reviews of projects. These expenses are expected to amount to $28.6 million in FY 1984, and $27.4 million in FY 1985, reflecting the completion of staffing plans to handle intensified project evaluation, negotiation, documentation, and monitoring activities.

Fees accrued and collected under Section 139(a) in FY 1983 amounted to $0.6 million. In FY 1984, an estimated $21.0 million will be accrued and $12.0 million is estimated for FY 1985.

Financial assistance awards in FY 1983 totalled $120 million. Awards may total as much as $10.3 billion in FY 1984 and $4.4 billion in FY 1985. Because the exact type of financial assistance to be awarded is determined in the course of project-by-project negotiations, the Corporation is unable to estimate exactly how much of the projected assistance will ultimately be in the form of loan guarantees, price guarantees, etc. Activity to date is discussed in the section entitled "Program Status and Plans".

E. Operations and Staffing

When the Energy Security Act was signed into law on June 30, 1980, the Nation faced threats of continuing oil shortages, increasing dependence upon foreign sources of energy, and rising energy prices. Since 1980 a great many changes have occurred, most notably the emergence of an oil "glut", reduced inflation, and a decline and subsequent resurgence in business activity, all of which have affected the emerging synthetic fuels industry and the Corporation's work.

During the same period the Corporation has gained valuable experience in the solicitation, evaluation, and negotiation of commercial synthetic fuels projects. Working within the context of current financial realities and the technological challenges of a

new industry, the Corporation has sought to identify project strengths and mitigate risks to the point that private industry will proceed with the development of a representative group of pioneer plants, in accord with the production and diversity objectives of the Act.

When it was declared operational by Executive Order No. 12346 in February 1982, the Corporation had five of seven Board members and a staff of 112. By the end of FY 1982 the Board was at full strength and Corporate staff had grown to 177. For FY 1983 a net of 22 staff members were added for a total of 199 professional and support personnel. Levels for FY 1984 are estimated at 239 and for FY 1985 at 232.

The policy of the Corporation's Board of Directors has been to maintain a level of staffing and administrative expenses which is low relative to the volume of work required. The public corporation framework established by the Congress makes this possible by eliminating many burdensome federal administrative requirements.

II. BUDGET DATA

SFC
TABLE NO. 1
STATUS OF PROGRAM AUTHORITY

(Dollars in millions)

Description	FY 1982 Actual	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Source:				
Unused program authority, start of year	$5,993	$14,887	$14,751	$4,490
Additional authority	8,906	--	--	--
(Appropriation)	(6,212)	--	--	--
(Transfer)	(2,694) 1/	--	--	--
Total authority	14,899	14,887	14,751	4,490
Application:				
Project assistance	--	121	10,253	4,400
Administrative expenses	12	16	29	27
(Administrative)	(12)	(14)	(24)	(24)
(Inspector General) 2/	3/	(1)	(2)	(2)
(Generic studies and specific reviews)	3/	(1)	(3)	(2)
Fees applied (Sec. 139(a))	--	-1	-21	-12
Net administrative expenses	12	15	8	15
Total expenses/commitments	12	136	10,261	4,415
Unused authority, end of year	14,887	14,751	4,490	75

Note: Detail may not add to totals because of rounding.

1/ Transferred from Department of Energy. Does not include $1.15 billion made available upon repayment of outstanding loans by Oil Shale Corporation.

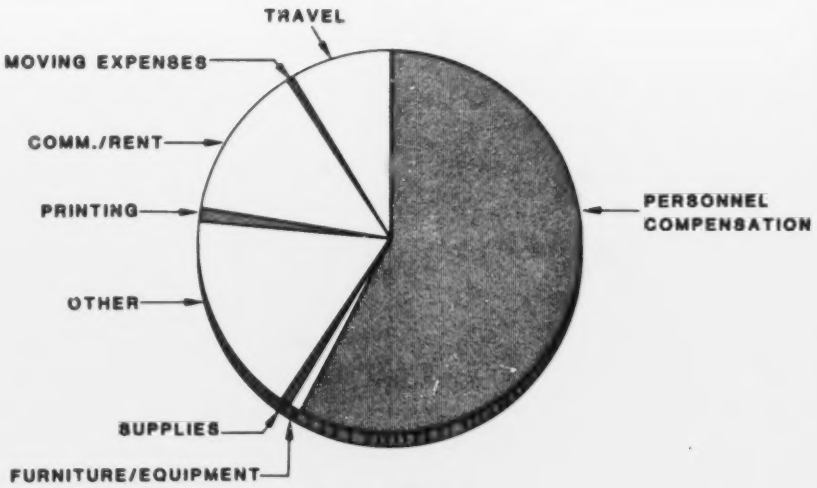
2/ The budget of the Inspector General is subject to the limitations of Section 120 (a)(1)(B) of the Energy Security Act.

3/ Less than $500,000.

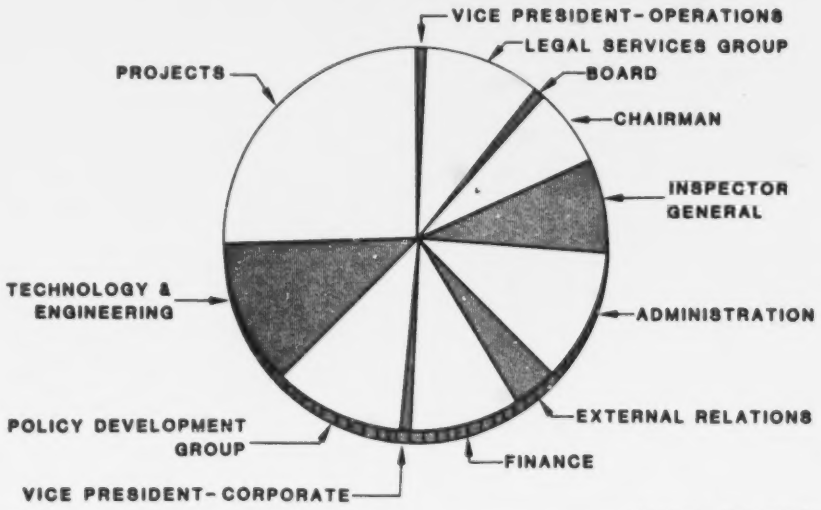
January 31, 1984.

SFC ADMINISTRATIVE EXPENSES
FY 1985
(Excludes Generic Studies)

BY OBJECT



BY GROUP



January 31, 1984

SFC
TABLE NO. 2
ADMINISTRATIVE EXPENSES
BY ORGANIZATION

(Dollars in thousands)

Group	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Administrative Expenses:			
Chairman	$1,120	$1,680	$1,735
Board	126	206	217
Legal Services	1,688	3,785	2,553
VP Operations	-	156	206
Projects	3,510	5,825	6,504
Technology & Engineering	1,510	2,779	3,146
Policy Development	1,460	2,984	2,831
Subtotal	6,480	11,744	12,687
VP Corporate	-	140	175
Finance	1,873	2,559	2,439
External Relations	863	959	963
Administration	2,285	2,757	2,977
Subtotal	5,021	6,415	6,554
Total Corporate Activity	14,440	23,830	23,744
Inspector General*	598	2,097	2,085
Total Administrative Activity	15,038	25,927	25,829
Generic Studies	956	1,110	992
Specific Reviews	220	1,560	610
Total	16,214	28,597	27,431

Note: Detail may not add to totals because of rounding.

* The budget of the Inspector General is subject to the limitations of Section 120(a)(1)(B) of the Energy Security Act.

January 31, 1984

SFC
TABLE NO. 3
ADMINISTRATIVE EXPENSES
BY OBJECT

(Dollars in thousands)

Object	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Personnel Compensation	$9,707	$14,107	$14,907
Travel	794	2,060	2,268
Moving expenses	71	284	112
Communications/Rents/Utilities	2,419	3,233	3,412
Print/Reproduction	130	297	275
Other Services	1,481	5,361	4,405
Supplies	113	206	211
Furniture & Equipment	323	381	240
Subtotal	15,038	25,927	25,829
Generic Studies and Specific Reviews of Projects	1,176	2,670	1,602
Total	16,214	28,597	27,431

Note: Detail may not add to totals because of rounding.

January 31, 1984

SFC
TABLE NO. 4
ADMINISTRATIVE EXPENSES
HISTORY OF AUTHORIZATION USE
(Dollars in millions)

Description	FY 1980 Actual	FY 1981 Actual	FY 1982 Actual	FY 1983 Actual	Total Actual	FY 1984 Estimate	FY 1985 Estimate	Total All Years
Authorized:								
Administrative Expenses	$35.0	$37.5	$41.3	$44.1	$157.9	$45.9	$47.9	$251.7
Generic Studies	10.0	10.0	10.0	10.0	40.0	10.0	10.0	60.0
Subtotal	45.0	47.5	51.3	54.1	197.9	55.9	57.9	311.7
Used:								
Administrative Expenses	-	6.2	12.2	15.0	33.4	25.9	25.8	85.1
Generic Studies	-	-	.2	1.2	1.4	2.7	1.6	5.7
Subtotal	-	6.2	12.4	16.2	34.8	28.6	27.4	90.8
Unused authority:								
Administrative expenses	35.0	31.3	29.1	29.1	124.5	20.0	22.1	166.6
Generic Studies	10.0	10.0	9.8	8.8	38.6	7.3	8.4	54.3
Total	$45.0	$41.3	$38.9	$37.9	$163.1	$27.3	$30.5	$220.9
% of unused authority:								
Administrative expenses	100.0%	83.5%	70.5%	65.0%	78.9%	43.6%	46.2%	66.2%
Generic Studies	100.0	100.0	98.0	88.0	96.5	73.0	84.0	90.5
Total	100.0%	86.9%	75.8%	70.1%	82.4%	48.8%	52.8%	70.9%

Note: Detail may not add to totals because of rounding.

January 31, 1984

SFC
TABLE NO. 5
STAFFING
(Employment at end of year)

Group	Class 1/	FY 1983 Actual	FY 1984 Estimate	FY 1985 Estimate
Chairman	Exempt	9	10	10
	Nonexempt	5	7	7
Legal Services	Exempt	12	11	11
	Nonexempt	7	11	11
VP Operations	Exempt	-	1	1
	Nonexempt	-	1	1
Projects	Exempt	26	35	35
	Nonexempt	14	19	19
Tech. & Engr.	Exempt	16	18	18
	Nonexempt	4	4	4
Policy Development	Exempt	20	22	20
	Nonexempt	6	7	5
Subtotal		86	107	103
VP - Corporate	Exempt	-	1	1
	Nonexempt	-	1	1
Finance	Exempt	13	16	16
	Nonexempt	6	6	6
External Relations	Exempt	8	8	8
	Nonexempt	6	6	6
Administration	Exempt	21	21	18
	Nonexempt	17	17	17
Subtotal		71	76	73
Total Corporate Activity		190	222	215
Inspector General*	Exempt	8	15	15
	Nonexempt	1	2	2
Corporation Total	Exempt	133	158	153
	Nonexempt	66	81	79
Total		199	239	232

1/ Exempt positions are professional staff positions.

* The budget of the Inspector General is subject to the limitations of Section 120(a)(1)(B) of the Energy Security Act.

January 31, 1984

III. PROGRAM STATUS AND PLANS

(Dollars in Millions)

The Estimates

	Estimate FY 1984	Estimate FY 1985
Program commitments	$10,253	$4,400
Program outlays (in the Energy Security Reserve account)	$38	$135

It is estimated that $10.3 billion of the $14.9 billion originally available for programs will be committed to assist projects by the end of fiscal year 1984. A smaller portion, $4.4 billion, is expected to be committed in the first half of fiscal year 1985, at which point the Corporation's Phase I authority for financial assistance would be largely committed.

Significant outlays of funds are not anticipated for a number of years, although the Cool Water Coal Gasification Program and Parachute Creek Shale Oil (Phase I) projects, the first to be assisted, are expected to begin receiving some price guarantee payments commencing in the latter half of fiscal year 1984. Most projects, however, should be entering the detailed engineering and construction phases during FY 1984 and FY 1985. Because of the time required to build plants and begin production these projects will

not generate outlays until late in the decade. The Board has exercised continued prudence in project evaluation and selection. It is assumed, therefore, there will be no loan guarantee defaults (resulting in outlays) for several years, if at all.

The Solicitation Process

Under a Project Solicitation Schedule adopted by the Board of Directors on January 5, 1984, the Corporation proposes to issue a total of ten solicitations for proposals in the course of its Phase I program. Two of the ten solicitations, the Initial Solicitation and the Competitive Solicitation for Western Oil Shale projects, have already closed with no awards being made.

Six solicitations are currently open and two others have been tentatively approved by the Board. The underlying strategy represented by this array of solicitations was one of (1) inviting all eligible projects to apply under the first three general solicitations issued at approximately six-month intervals and (2) issuing "competitive" solicitations to target resource or technology categories which were inadequately represented in the general solicitations. The Board intends to issue a final fourth general solicitation to invite again all strong, eligible projects to compete for assistance.

The eight remaining current or proposed solicitations, their status and schedule are:

1. The Second General Solicitation, which closed on June 4, 1982, brought 38 responses. One of these, the Cool Water Coal Gasification Project, received the Corporation's first award of assistance. Three other projects from this solicitation successfully passed the evaluation process and negotiated draft letters of intent. The First Colony and CALSYN projects have executed letters of intent and term sheets with the following general financial terms:

   a. First Colony would receive a maximum commitment of $465 million (including cost sharing amounts awarded under Section 131(u) of the Act). This is comprised of a loan guarantee of $341 million (plus $25 million reserve for interest accruals) and an initial price guarantee of $99 million, which amount would increase as the loan is repaid to a maximum of $440 million. The Corporation would participate in revenue sharing in the event the market price increases above the price guaranteed level. The price guarantee potentially would be of fifteen years duration but would be renegotiable after 10 years in accord with the requirements of the Act.

   b. CALSYN would receive a $51 million loan guarantee with a term of at least 11 and not more than 15 years. No price guarantee was requested.

The HOP Kern project has negotiated a draft letter of intent which has not yet been executed. One other project, Santa Rosa, had signed a letter of intent, but this was withdrawn by the Corporation in October 1983, when the project failed to maintain the terms of the letter of intent. The project is no longer under consideration in the second solicitation.

A contract award deadline of June 1984 has been set for the three remaining projects in the solicitation.

2. The Third General Solicitation, which closed on January 10, 1983, received 46 responses. Sixteen of these projects successfully passed maturity and strength evaluations and are in various stages of negotiations on terms and amounts of financial assistance. Two projects have executed letters of intent and a third has reached agreement at the staff level on the principal term sheet provisions. The general financial terms of these are as follows:

   a. Cathedral Bluffs executed a letter of intent, including a term sheet on July 28, 1983, that contemplates maximum Corporation obligation of $2.19 billion. This is comprised of a loan guarantee of $1.662 billion (plus $150 million reserve for interest accruals) and an initial price guarantee of $378 million, which amount would increase as the loan is repaid to a maximum of $2.19 billion at a guaranteed price of $60 per barrel for premium synthetic

crude oil. The guarantee agreement will contain provisions for substantial taxpayer recovery by the Corporation under certain economic conditions.

b. Parachute Creek -- Phase II has executed a letter of intent and term sheet dated December 1, 1983, which would provide maximum Corporation obligation of $2.7 billion. This is comprised of an initial price guarantee for the first 21,000 BPD increment of production of $1.55 billion, which may be increased by an additional $400 million through an incentive adjustment, and a price guarantee for a second 21,000 BPD increment of $0.75 billion. The initial price guarantee is $60 per barrel of syncrude, which would be increased up to $67 per barrel by incentive adjustment predicated on the successful utilization of Union "C" retorting technology. The guarantee agreement would contain taxpayer recovery provisions through revenue sharing over sixteen years; the price guarantee would run for ten years.

c. The Seep Ridge draft term sheet would provide a maximum Corporation obligation of $45 million comprised of an initial price guarantee of $23.7 million and a loan guarantee of $21.3 million which, when repaid, would be convertible into additional price guarantees. The

35-235 O - 84 - 58

guaranteed price would be $42.50 per barrel of crude shale oil. The guarantee agreement would provide for taxpayer recovery in the form of cumulative after-tax cash flow sharing over fifteen years. The price guarantee would be of ten years duration.

The remaining 13 projects under the third Solicitation have a deadline of April 1984, to complete negotiations on term sheets, and a deadline of July 1984 to complete final contract agreements.

3. The Gulf Coast Lignite Competitive Solicitation received only one proposal, the Arkansas Lignite Conversion project. The project submitted an acceptable Qualification Proposal, but, after reviewing the project's Technical Proposal, the Board determined that a final contract could not be negotiated practicably within the schedule contemplated by the solicitation. Accordingly, the solicitation was terminated. Nonetheless, the Board determined that the project should enter direct negotiations with the Corporation under authority of Section 131(b)(4) of the Act because of the programmatic importance of the resource. The Chairman so notified Congress on December 1, 1983, as required by the Act.

4. The Eastern Bituminous Coal Competitive Solicitation received qualification proposals from four projects. The Board of Directors determined three of these to be qualified bidders.

These projects must now submit technical proposals and sealed bids by March 6, 1984. The Board will then determine the acceptability of the technical proposals and select the winning bidder by April 6, 1984. The winning project will have until August 1984 to complete an assistance agreement.

5. The Coal-Water Mixture Solicitation requests proposals by June 15, 1984. The Board will select qualified proposals in July and consider term sheets in December 1984. Final contract agreements will be executed no later than February 21, 1985. The solicitation envisions two awards: (a) an industrial-sized project with a minimum scale of 1,000 barrels per day COE, and (b) an electric utility-sized project with a minimum scale of 3,000 barrels per day COE.
6. The Coal or Lignite Gasification Solicitation requires submission of proposals by February 2, 1984. The deadline for term sheets is April 5, 1984, and contract agreements must be executed no later than August 31, 1984.
7. The Coal Retrofit Solicitation will require proposals to be submitted by April 1984. Term sheets must be agreed to by August 1984, and contracts executed no later than October 1984.
8. The Fourth General Solicitation will request proposals by April 1984. Qualified proposers would be selected in July and contracts completed no later than November 1984.

As is evident from the above discussion, final contract awards will be made in fiscal year 1984 for all but the last three solicitations, and final awards under these solicitations will be completed largely in the first quarter FY 1985.

Comprehensive Strategy

The Energy Security Act requires the Board of Directors to develop and submit to the Congress a comprehensive strategy for achieving the national synthetic fuel production goal. Development of this comprehensive strategy is a major responsibility of the Corporation and will be fully integrated with Corporate project work.

The Directors have established a Committee of the Board to work with staff in developing the strategy. The Committee meets twice monthly and seeks to facilitate communication and provide guidance to the staff. As a direct result of the Committee's work and recommendations, the Board of Directors on October 21, 1983 resolved to focus the development effort primarily on the Corporation's unique project experience and to fully utilize staff expertise in preparing options and recommendations for the Board's consideration.

An extensive competitive procurement in FY 1983 identified seven firms as best able to provide whatever additional analysis, data and technical expertise might be necessary to supplement Corporation capabilities in selected areas. As initial drafting commences, needs relative to the Comprehensive Strategy will be identified and work assigned across disciplines within the Corporation and by contractor task order as necessary.

IV. ADMINISTRATIVE EXPENSE BUDGET

(Dollars in thousands)

A. Summary

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$25,927	$25,829
End of year employment	239	232

Recent economic and energy conditions have required an intense effort on the part of the Corporation's Directors and staff to encourage sponsor participation and project development in synthetic fuels. The Corporation has made every effort to be flexible and responsive to industry needs in an effort to get sound projects into construction and operation.

The following budgetary projections reflect the current estimates of the administrative resources necessary for the Corporation to move forward with its program in fiscal years 1984 and 1985.

The Corporation has worked diligently toward maintaining and improving its internal management systems and has utilized the management flexibility provided by the Act to adjust to changing responsibilities and priorities as the Corporation's program has evolved. At the same time particular attention has been given to assuring full accountability as necessitated by Corporate use of public funds. Corporate organization has also undergone steady adjustment in response to the changing nature of our activities.

These budget estimates reflect the desire of the Board of Directors to hold expenses in check by practicing prudent management and maintaining an inter-disciplinary mix of staff skills to meet evolving Corporation needs.

B. Estimates by Organization

Executive Direction

(Office of the Chairman)

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$1,680	$1,735
End of year employment	17	17

This estimate includes expenses for the Chief Executive Officer (Chairman of the Board), the Chief Operating Officer, and support staff.

Board of Directors

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$206	$217

The estimates include the fees and expenses of part-time members of the Board of Directors. No full-time staff is included in this category.

Legal Services Group

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$3,785	$2,553
End of year employment	22	22

The General Counsel is the chief corporate legal officer and serves as Secretary of the Corporation.

The Group provides advice on all legal matters and actions and provides support to project teams during all phases of project activity. Specifically, the Group reviews the project proposals and advises on the legal eligibility of proposed projects, aids in the legal interpretation of the various maturity and strength criteria as projects are considered for advancement and, in later phases, assists in the intensive discussions conducted with each project sponsor and in the structuring and documentation of each agreement for financial assistance and ultimately advises on all legal matters affecting the proper monitoring of projects.

The reduction in the estimate reflects the non-recurring nature of the contractual costs needed for local counsel in the project negotiation process.

Group Vice President - Operations

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$156	$206
End of year employment	2	2

The Group Vice President - Operations oversees the activities of the operational aspects of the Corporation, i.e., the Projects Group, the Policy Development Group and the Technology and Engineering Group.

Projects Group

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$5,825	$6,504
End of year employment	54	54

The Group has responsibility for the preparation of project solicitations, management of project evaluations, and execution of negotiations for financial assistance. In addition, the Group is responsible for project analyses with respect to costs and product marketing. During FY 1984 and FY 1985 the staff of the Projects Group will be involved in these various project activities as well as in development of the Comprehensive Strategy.

The estimate includes resources for the monitoring of approved projects as negotiations are completed and construction begins and production ultimately takes place.

Technology & Engineering Group

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$2,779	$3,146
End of year employment	22	22

The Technology and Engineering Group is involved throughout the project assessment, negotiation and monitoring processes. The office analyzes the state of development of the proposed technologies for each project, and identifies the areas of risk, their magnitude and the provisions built into the project to mitigate these risks. This Group performs detailed reviews of resource availability, technical soundness, management capability, potential for replication and the socio-economic impact and environmental considerations for each project. Reviews cover both the synthetic fuels resource and the processing, auxiliary facilities and the environmental control facilities. In addition, quantitative estimates of the effect of the proposed technologies on the project's costs and performance along with recommended contingencies which are developed for use in the financial and economic analyses of each project.

Policy Development Group

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$2,984	$2,831
End of year employment	29	25

The Policy Development Group prepares recommendations regarding the Comprehensive Strategy for review and action by the Corporation's senior management and Board. The Group draws upon its own staff, staff from other Corporation Groups and outside experts to formulate analyses and strategy recommendations. Coordination of analyses and drafting, editing and production of the comprehensive strategy documents required by the Energy Security Act are the principal functions of the Group during FY 1984 and FY 1985.

Group Vice President - Corporate

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$140	$175
End of year employment	2	2

The Group Vice President - Corporate oversees the staff and support activities of the Corporation, i.e., the Finance Group, the External Relations Group and the Administration Group.

Finance Group

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$2,559	$2,439
End of year employment	22	22

The Finance Group is involved programmatically in the financial analyses of projects and administratively in the financial management of the Corporation. The Vice President - Finance also serves as the Treasurer of the Corporation.

The Group provides financial advice to management and the project teams during the evaluation of projects, the negotiation and structuring of assistance awards, and the monitoring of assisted projects. In addition to analysis of the economic and financial viability of projects, this includes the quantification and composition of financial assistance, as well as the development of negotiating strategies and the evaluation of proposed public and private financing plans. Comparisons of projects are made both within and across resource and technology categories.

Administrative financial management tasks include custody of Corporate funds, budgeting, accounting and payroll. Financial assistance payments to project sponsors are made and accounted for by the financial management department.

External Relations Group

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$959	$963
End of year employment	14	14

This Group is responsible for public information and liaison with Members of Congress, congressional committees and staff, other Federal entities, communications media, and state and local governments.

Administration Group

	Estimate FY 1984	Estimate FY 1985
Administrative expenses	$2,757	$2,977
End of year employment	38	35

The Administration Group provides a wide range of management and program support services to all Corporation elements including administrative services, personnel, procurement, management information systems (word and data processing), and maintenance of the public disclosure function.

Inspector General

	Estimate FY 1984	Estimate FY 1985
Administrative expenses*	$2,097	$2,085
End of year employment	17	17

The Act provides for the appointment of an Inspector General and a Deputy Inspector General by the President of the United States, by and with the advice and consent of the Senate. The Inspector General is under the general supervision of the Board of Directors, and reports directly to the Board and to the Congress.

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* The budget of the Inspector General is subject to the limitations of Section 120(a)(1)(B) of the Energy Security Act.

The Inspector General is responsible for promoting economy and efficiency in the administration of the Corporation's programs and for preventing and detecting waste, fraud, and abuse in the operations of the Corporation. The Inspector General is also responsible for determining the extent to which such programs and operations are in compliance with the Act and consonant with its purposes. To these ends, the Act authorizes the Inspector General to supervise, coordinate, and provide policy direction for audits, investigations and inspections of corporate activities and to employ such personnel and consultants as he deems necessary to carry out his functions, powers and duties. The Inspector General is guaranteed access to all Corporation records, documents, and other information and may request information and assistance from any federal, state, or local governmental agency. Furthermore, the Inspector General is authorized to compel by subpoena the production of information necessary in the performance of his duties. Finally, the Inspector General is required to prepare an annual report as well as such other reports as are required by Congress or judged desirable by the Inspector General.

The Inspector General initially was authorized to expend up to $2,000,000 annually. That limit is subject to the same increase for inflation as is the Corporation's total limits. The Corporation provides office space to the Inspector General under the Corporation's statutory obligation.

V. GENERIC STUDIES AND SPECIFIC REVIEWS

	Estimate FY 1984	Estimate FY 1985
Generic studies	$1,110	$992
Specific reviews of projects	$1,560	$ 610
Total	$2,670	$1,602

The Energy Security Act sets an annual limitation on the expenditure of funds for these purposes at $10.0 million.

Examples of types of studies and analyses to be conducted are:

- analysis of Defense fuel requirements and synthetic fuels;
- strategic assessments of synthetic fuels resource bases;
- environmental impact;
- detailed data concerning feedstock and product supplies, demand and pricing, and general economic and marketing trends;
- independent cost assessments related to project evaluation; and
- product market analysis and evaluation.

United States Synthetic Fuels Corporation

ANNUAL REPORT 1983

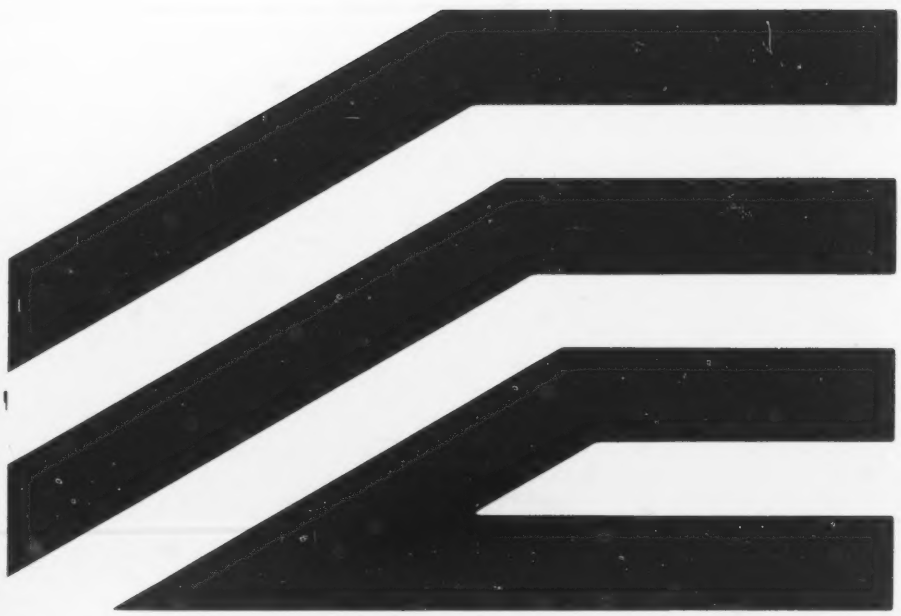

TABLE OF CONTENTS

BOARD OF DIRECTORS 2

FOREWORD 4

FROM THE CHAIRMAN 4

THE THIRD YEAR 5

Second Solicitation 5

Third Solicitation 7

Targeted Solicitations 9

Competitive Solicitation for Western Oil Shale Projects 9
Competitive Solicitation for Gulf Province Lignite Projects 10
Competitive Solicitation for Eastern Province and Eastern Region of the Interior Province Bituminous Coal Gasification Projects 10
Solicitation for Coal-Water Fuel Projects 11
Solicitation for Coal or Lignite Gasification Projects 11
Solicitation for Projects Proposing to Retrofit Existing Chemical Plants 11

Fourth General Solicitation 11

Direct Coal Liquefaction 11

PROJECT MONITORING 12

Union Oil Parachute Creek Shale Oil Program, Phase I 12
Cool Water Coal Gasification Project 12

PROGRESS TOWARD GOALS 14

Production 14
Diversity 15
Encourage Private Capital Investment 15
Defense Applications 15
Environmental and Regulatory Considerations 17

RECOMMENDATIONS FOR LEGISLATION 17

DEVELOPMENT OF A COMPREHENSIVE STRATEGY 20

ADMINISTRATION AND FINANCIAL STATUS 20

PROJECT SOLICITATION HISTORY 29

SFC PROJECT SOLICITATION SCHEDULE 35

BOARD OF DIRECTORS

Edward E. Noble

Chairman of the Board. Confirmed: May 14, 1981. Term: seven years. Chairman of the board, Noble Inns Corporation. Director, Auto Crane Company of Tulsa, Oklahoma. Previous director of Noble Affiliates, an oil-related company. Director of the Hoover Institute and Trustee of the Samuel Roberts Noble Foundation, Inc. of Ardmore, Oklahoma. University of Oklahoma, 1951. Born: March 19, 1928. Residence: Tulsa, Oklahoma. Political affiliation: Republican.

Victor A. Schroeder

Board member. Confirmed: September 11, 1981. Term: six years. Manager of development for the Atlanta Apparel Mart and executive director of the Peachtree Center for three years. Past president and chief executive officer of Aplomb, Inc., a real estate consulting firm. Also served as senior vice president for development of the Phipps Land Company and president of Resort Properties. Attended Oklahoma State University and was graduated from Officer Candidate School at Fort Benning, Georgia. Born: July 29, 1921. Residence: Atlanta, Georgia. Political affiliation: Independent.

C. Howard Wilkins, Jr.

Board member. Confirmed: September 11, 1981. Term: five years. Founder and managing partner of the Maverick Company. Former president and chairman of the board of Pizza Corporation of America. Served as vice chairman of the board of the Pizza Huts, Inc. Yale University, 1960. Born: February 19, 1938. Residence: Wichita, Kansas. Political affiliation: Republican.

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Victor M. Thompson, Jr.

Board member. Confirmed: September 11, 1961. Term: four years. Chairman and chief executive officer of Utica National Bank & Trust and Utica Bankshares Corporation of Tulsa. Previously president and chief executive officer of First National Bank and Trust of Stillwater. Former director of Oklahoma City Branch of the Federal Reserve Bank of Kansas City. University of Oklahoma, 1948. Born: November 12, 1924. Residence: Tulsa, Oklahoma. Political affiliation: Democrat.

Robert A. G. Monks*

Board member. Confirmed: September 11, 1981. Term: three years. Past chairman of the board of The Boston Company. Also former president of The Maine Wood Fuel Company, Ram and Company and C. H. Sprague and Son Company. Held directorships with several coal companies, including Westmoreland, Imperial Smokeless, Winding Gulf and Penn-Virginia. Harvard College, 1954. Harvard Law, 1958. Born: December 4, 1933. Residence: Cape Elizabeth, Maine. Political affiliation: Republican.

John B. Carter, Jr.

Board member. Confirmed: August 16, 1982. Term: two years. Senior vice president and director of Pogo Producing Company, an oil and gas exploration and production company. Previous managing director, general partner and southwestern representative of Lehman Brothers. Director, Capital Bank, Houston. Former independent oil operator and financial consultant. Babson College, 1947. Born: October 19, 1924. Residence: Houston, Texas. Political affiliation: Independent.

Milton M. Masson, Jr.**

Board member. Confirmed: August 16, 1982. Term: one year. President of The Ellers Masson Group, Inc., architects and engineers. Former board member of Security Savings and Loan. Past president of the Arizona State Chamber of Commerce. Christian Brothers College, 1964. Graduate work, University of Missouri. Born: July 27, 1941. Residence: Paradise Valley, Arizona. Political affiliation: Republican.

*Mr. Monks' resignation as a member of the Board of Directors was accepted by President Reagan on January 6, 1984.

**Mr. Masson's term on the Board of Directors expired on August 16, 1983. He continues to serve on the Board, however, under authority of Section 116(b)(2) of the Energy Security Act.

FOREWORD

The United States Synthetic Fuels Corporation submits its third Annual Report to the President and the Congress in compliance with Section 177 of the Energy Security Act (P.L. 96-294). The Report covers the activities of the Corporation from the start of the 1983 fiscal year, October 1, 1982, through January 5, 1984, the most recent meeting of the Corporation's Board of Directors. Material beyond the fiscal year 1983 Report required by the Energy Security Act is included to provide a more complete record of Corporation activity.

Consistent with the provisions of the Energy Security Act, this Report includes a general description of Corporation activities for the year; a status report and description of each project in which the Corporation is involved, and evaluation of its contribution to furthering the purposes of the Act; a description of the overall progress of the Corporation toward meeting the goals of the Act and recommendations for Congressional actions to facilitate further progress; a description of actual and potential environmental impacts from synthetic fuels projects; and the annual audited financial statements and reports on the Corporation's receipts and compensation.

Additional material relating to activities covered in this Report may be obtained upon request from the Director of Public Disclosure, 2121 K Street, N.W., Washington, D.C. 20586, or by visiting the Corporation's Public Reading Room at the same address.

FROM THE CHAIRMAN

The United States Synthetic Fuels Corporation made very significant strides in 1983 toward our goal of assisting the private sector to design, finance, and construct a number of technologically diverse synthetic fuels plants utilizing the major resources of coal, oil shale, and tar sands/heavy oil. The year was not without problems; but because we worked through them together, we gained experience, confidence, and a deepened determination to pursue our course and succeed in our mission under the Energy Security Act.

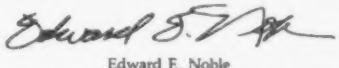
During 1983 the Corporation issued three solicitations, evaluated over sixty projects, provided four letters of intent, and executed one final award contract with a combined cycle cogeneration facility. Our directors and staff gained enormous experience in understanding precisely which elements are essential in determining strong projects. Looking beyond technology, we concentrated on project management structure and financing to identify critical needs and devise incentives for meeting them. We reached out to industry, both at the staff level and through our directors' outreach activities. Small working groups within the Corporation closely examined questions of capital formation, investment risk and reward, and potential tax and market incentives. All of these efforts were directed toward encouraging major corporate participation in the development of synthetic fuels.

As we begin 1984, we expect these initiatives to continue and intensify, while some other of our activities gradually wind down and new areas of responsibility emerge. For example, the Corporation expects largely to complete its Phase I project solicitation work this year, and the directors have adopted a schedule toward this end. As the year proceeds, we anticipate the Corporation's focus will shift increasingly from the evaluation of projects to negotiations and contract documentation work. Concommitant with this, the Corporation will implement a process and assign personnel to manage the contracts which we execute. This contract management effort will be twofold in purpose: to assure full and timely compliance with all provisions of each contract, and to gain the data necessary to support continuing, competitive development of a domestic synthetic fuels industry.

The goal of the Corporation has always been the awarding of assistance to a representative group of pioneer synthetic fuels plants in terms of primary resources and promising technologies. On the basis of this experience, we will formulate and submit to Congress a Comprehensive Strategy for meeting the production goals of the Energy Security Act and including recommendations of the directors on how Congress might best support future development of synthetic fuels.

I am especially pleased that, as we begin 1984, a substantial projects program is clearly emerging. We have agreed to letters of intent with three key oil shale and two significant tar sands/heavy oil projects; we will make major decisions regarding the coal resource in April. Then throughout the summer we will continue to pursue a number of solicitations, including the fourth general solicitation, with a view toward completing our Phase I programmatic objectives of production and diversity within each of the major resources.

The directors anticipate a number of contract awards this year, coupled with heavy emphasis on developing a realistic and responsive Comprehensive Strategy. Under the leadership of this Board, the Corporation has been firmly committed to carrying out the mandate of the Energy Security Act in a prudent and responsible manner. We have worked with consistency and patience for more than two years. Now as we enter 1984 we are increasingly confident that these efforts will result in the successful beginnings of a commercial synthetic fuels industry, which can compete and grow as market forces and national needs direct.



Edward E. Noble
January 27, 1984

THE THIRD YEAR

With passage of the Energy Security Act of 1980, Congress committed the Nation to an ambitious program aimed at developing the enormous energy potential of our solid fossil energy resources. The cornerstone of this program was creation of the United States Synthetic Fuels Corporation, a limited-life federal entity designed to stimulate development of the commercial capability to produce substitute synthetic oil and gas products from the Nation's most plentiful reserves of coal, including lignite and peat, oil shale, tar sands, and certain heavy oil resources.

The Corporation received an initial appropriation of $14.9 billion for the first phase of its activities. These funds are to be committed in the form of loan guarantees, price guarantees, purchase agreements and direct loans to pioneer, commercial synthetic fuels projects. Under certain circumstances, the Corporation can also participate as a joint venture sponsor in projects and can undertake up to three Corporation-owned projects. The Corporation's role, as set down in the Energy Security Act, is to share with the private sector the risks associated with building and operating first-of-a-kind plants.

From its first Annual Report in January 1982 to its second in January 1983, the Corporation made clear and substantial progress in the solicitation, evaluation and negotiation of projects. During this time, activity under the Initial Solicitation had ended; a small group of projects remained in negotiations for assistance in the Second Solicitation; monitoring responsibility for the Union Oil Parachute Creek Shale Oil Program, Phase I project's financial assistance contract had transferred to the Corporation from the Department of Energy; and the evaluation of proposals received under the Third Solicitation was proceeding rapidly. In addition, the Corporation had issued its first "targeted" solicitation for projects using western oil shale and was developing others. And the staff was gaining practical experience in negotiating financial assistance contracts which balance the Act's minimum subsidy requirements against the need to provide adequate incentives to project sponsors.

In carrying out its mission, the Corporation has been guided by the Energy Security Act's dual requirements for diversity of technology and resource and attainment of a significant synthetic fuel production capability. These objectives resulted in the Board's programmatic decision in July 1982, emphasizing assistance to a broad and diverse set of coal and western oil shale projects to maximize the long-run potential of these resources, with the balance of funding going to projects using other eligible resources.

The Corporation now has before it a strong slate of projects utilizing a variety of technologies and resource bases. It is anticipated that with the successful conclusion of its Phase I program, the Corporation will have provided financial assistance to roughly a dozen synthetic fuel projects encompassing the major resource areas. Toward this end, efforts in 1983 have focused on identifying and attracting projects which further the Energy Security Act's goals and possess strong management and required equity. This experience will form the basis on which preparation of the Comprehensive Strategy will proceed.

SECOND SOLICITATION

The Initial Solicitation provided the Corporation with a great deal of experience in the solicitation and evaluation of projects. As a result of this experience, the Board directed the Corporation staff to accelerate both the pace of project evaluation in the Second Solicitation and the start of negotiations for financial assistance. The five-month evaluation process required in the Initial Solicitation was compressed in the Second Solicitation to three months, and sponsors were permitted to begin preliminary negotiations for assistance once their project had passed the maturity test.

Thirty-five (35) proposals, representing a diversity of technology and resource, responded to the Second Solicitation. Under the terms of the solicitation, these proposals were evaluated for maturity and strength. To be considered "mature," a project had to satisfy criteria to assess whether its technical and financial uncertainties were within limits that permitted systematic evaluation. "Mature" projects were then evaluated against strength criteria which examined technical and economic viability, product marketability, regulatory acceptability, sound management and potential for replication. Seventeen projects passed the maturity test in the Second Solicitation, and 11 of these also passed the strength test. Of the 11, five ultimately entered into negotiations.

Negotiations with Second Solicitation projects convinced the Corporation of the need to provide sponsors with sufficient incentive to continue project development work. This incentive took the form of non-binding letters of intent which outline the major terms of a financial assistance package and encourage sponsors to continue project development work and complete the management and equity requirements of their projects. By offering a more precise understanding of the amount and terms of potential financial assistance for a specific project, the letters also provide sponsors with a reasonable and realistic basis for making business judgments about further significant expenditures prior to an award decision. At the same time the Corporation gains stronger candidate projects with greater likelihood of long term profitable operations without having to spend federal monies for project development.

In mid-December 1982, the Chairman signed a letter of intent with the sponsors of the First Colony Farms project in Creswell, North Carolina. In addition, the Board authorized the Chairman to commit $820,750 to the First Colony project under Section 131(u) of the Energy Security Act, for a cost sharing agreement to refine the project's design and thereby improve its cost estimate. In later months, letters of intent were signed with the Santa Rosa Tar Sands project, the Cool Water Coal Gasification project and the CALSYN Heavy Oil Upgrading project. A term sheet was prepared in early 1983 for the HOP Kern River Commercial Development project, but no letter of intent has been signed to date.

On July 28, 1983, the Corporation executed its first contract for financial assistance with the Cool Water Coal Gasification

project in Daggett, California. Descriptions of the Cool Water project and the other projects remaining in the Second Solicitation follow.

The ***Cool Water Coal Gasification*** project is designed to use a Texaco gasifier to convert 1,000 tons per day of Utah subbituminous coal into 750 million Btu's per hour of synthesis gas which will power a 100 megawatt combined cycle generating facility. The plant, which will produce an amount of electricity equal to that produced from 4,300 barrels per day (BPD) of oil fired in a conventional steam/electric power plant, is under construction in Daggett, California. It is sponsored by the Cool Water Coal Gasification Program, an unincorporated association formed by Texaco, Inc., Southern California Edison Company, Electric Power Research Institute, Inc., Bechtel Power Corporation, General Electric Company, and Japan Cool Water Program Partnership, a Japanese consortium. The Empire State Electric Energy Research Company is a contributor to the project.

With the start of operations anticipated in June 1984, the Cool Water project will be the pathfinder application of coal gasification in a direct coupled utility power application and will establish the benchmark for the environmental merits of this approach in contrast to conventional coal fired boilers with stack gas scrubbing.

Under the Cool Water project's Price Guarantee Agreement, the Corporation may make price guarantee payments up to a maximum aggregate amount of $120 million to support the production of synthetic gas. The Agreement provides for price guarantee payments only during the Stage I period: that is, the earlier of five years following the Production Commencement Date or the time by which 20 trillion Btu's of synthetic gas have been sold from the gasification plant to Southern California Edison. The product entitled to price guarantees is synthetic gas of a quality satisfactory to power the combined-cycle system.

The Agreement stipulates that the Corporation will pay to the Program each month an amount equal to the number of million Btu's of product sold to Southern California Edison by the Program in that month, multiplied by the amount by which the guaranteed price exceeds the market price. The guaranteed price is equal to the appropriate base price (expressed as of the second quarter of 1983) as adjusted quarterly by the Producer Price Index; the appropriate base price is $12.50 per million Btu for the first nine trillion Btu's of synthetic gas produced and $9.75 per million Btu thereafter. The market price of the synthetic gas is based on the avoided cost value of the electricity produced from it, as determined by the California Public Utilities Commission.

Provisions for revenue sharing by the Corporation are provided in the Agreement. The total amount of sharing payments to the Corporation will not exceed the greater of $80 million or the total amount of price guarantee payments. Project monitoring activities for the Cool Water project are described in a later section of this Report.

The ***First Colony Farms*** project is sponsored by Peat Methanol Associates, a partnership comprising North Carolina Synfuels Corporation, a subsidiary of Koppers Company, Inc.; Transco Peat Methanol Company, a subsidiary of Transco Energy Company; ETCO Methanol, Inc.; and J.B. Sunderland Corp. Other corporations have expressed interest in joining the partnership. Located at a site near Creswell, North Carolina, the First Colony project is expected to produce approximately 63 million gallons per year of methanol from peat using a KBW gasifier followed by commercial methanol synthesis technology. It is expected to be mechanically complete by December 31, 1986.

The letter of intent for the First Colony project contemplates a loan guarantee up to a maximum of $366 million (which includes $25 million for accrued interest) and an initial price guarantee of $99 million. As the guaranteed loans are repaid, the amount available for price guarantees would increase up to a maximum of $440 million. The maximum liability of the Corporation at any time with respect to the project would not exceed $465 million. The Corporation will participate in revenue sharing should the price of methanol increase above the guaranteed level.

In the spring of 1983, the Corporation entered into a cost-sharing agreement with the sponsors of the First Colony project, under Section 131(u) of the Energy Security Act, to refine the design of the project in order to improve the accuracy of cost estimates. The Corporation has a maximum obligation of $820,750 under this cost-sharing agreement. In the event that the Corporation awards a loan or loan guarantee to the project, amounts received by the sponsors from the Corporation pursuant to the cost-sharing agreement would be incorporated into the maximum loan guarantee amount.

The ***CALSYN Heavy Oil Upgrading*** project proposed for West Pittsburg, California plans to produce 6,050 barrels of oil equivalent per day (BOED) using the Dynacracking technology developed by Hydrocarbon Research, Inc. By-product fuel gas from the project will be sold to an adjacent power plant. The project is sponsored by CALSYN Partnership, a partnership of Alberta Oil Sands Technology and Research Authority, California Synfuels Research Corporation and subsidiaries of Tenneco Oil Company, the Ralph M. Parsons Company and Dynalectron Corporation. Production is scheduled to begin in the third quarter of 1985. The letter of intent for this project was issued on May 26, 1983 and sets out the terms and conditions for the possible award of a $49.8 million loan guarantee to the project.

The ***HOP Kern River Commercial Development*** project, sponsored by Ladd Petroleum Corporation, is expected to produce 3,600 barrels per day of 14 degree API crude oil from eligible heavy oil resources using a proprietary steamdrive process. The project involves the construction of six production units over a three-year period from 1984-1987. A letter of intent is proposed, but not yet signed, for this project. The letter of intent defines the terms and conditions for the possible award of $76.7 million in loan and price guarantees. The loan guarantee would not exceed $52.5 million; the contemplated price guarantee, in an initial amount of $20 million, would increase as the guaranteed loan is repaid up to a maximum of $72.5 million. The maximum duration of the price guarantee would be ten years, and the Corporation would share in the project cash flows under specified circumstances.

On January 17, 1983, the Chairman signed a letter of intent for $41 million in possible loan and price guarantees with Foster Wheeler Synfuels Corporation and Solv-Ex Corporation for the ***Santa Rosa Tar Sands*** project near Santa Rosa, New Mexico. The

project did not develop as anticipated, however, and Foster Wheeler withdrew from the partnership on October 7, 1983; subsequently, the Corporation terminated the letter of intent on October 22, 1983. On December 13, 1983 the Solv-Ex Corporation advised the Corporation of its decision to withdraw the project from further consideration in the Second Solicitation.

THIRD SOLICITATION

On August 19, 1982, the Board approved the third general solicitation for synthetic fuels projects. Of the 46 proposals received under the solicitation, 10 were for coal liquefaction projects, 9 for coal gasification projects, 13 for oil shale projects, 11 for tar sands projects, and 3 for projects which proposed to produce fuels by other means. In addition, two projects from the Second Solicitation were moved into the Third Solicitation by the Board during the year—the North Alabama Coal-to-Methanol project and the Kensyntar Tar Sands project.

Of the 48 projects evaluated in the Third Solicitation, 23 passed the maturity test, and 16 subsequently passed the strength test and entered into negotiations for financial assistance. Fifteen projects currently remain under consideration in this round.

Under the Project Solicitation Schedule adopted by the Board on January 5, 1984, negotiations on the amounts and terms of financial assistance for Third Solicitation projects are expected to be substantially completed by April 6, 1984, with final contract awards in July. The Corporation may consider letters of intent for additional shale projects in the Third Solicitation after April 6, 1984, should adequate obligational authority remain.

To date, term sheets and letters of intent have been signed for two Third Solicitation oil shale projects, Cathedral Bluffs and Union Oil Parachute Creek Shale Oil Program, Phase II; a letter of intent for a third western oil shale project, Seep Ridge, has been proposed but not yet signed. Descriptions of these projects follow.

The ***Cathedral Bluffs*** project, for which the Chairman signed a letter of intent on July 28, 1983 for up to $2.19 billion in possible financial assistance, is sponsored by Tenneco, Inc. and Occidental Petroleum Corporation. It is expected to produce approximately 14,100 barrels per calendar day of shale oil syncrude on Federal Prototype Lease Tract C-b in Rio Blanco County, Colorado. The project includes mining, a commercial aboveground retort using Union Oil Company's Unishale B process and four continuously burning modified in-situ retorts, using the MIS technology developed by Occidental Oil Shale, Inc. It also includes an upgrading facility for treatment of raw shale oil, approximately 46 miles of pipeline, a terminal, and incidental facilities. Oil shale feedstock to the aboveground retort would be provided primarily by ore from a commercial room-and-pillar mine and supplemented by ore obtained from preparation of the MIS retorts. The crude shale oil is expected to be upgraded on the tract using Union Oil Company's upgrading technology to produce a crude oil substitute which will be shipped via pipeline to a distribution terminal in Rangely, Colorado.

The Cathedral Bluffs project is expected to produce approximately 11,000 BOED of raw shale oil from the aboveground retort and approximately 2,300 BOED of raw shale oil from the four modified in-situ retorts. The oil upgrading facility is expected to yield approximately 14,100 BOED of a commercial crude oil substitute. The expected production life of the project is not less than thirty years, during which time it is expected to produce approximately 150 million barrels of upgraded synthetic fuel.

Under the terms of the letter of intent, the maximum amount of potential Corporation financial assistance to the Cathedral Bluffs project would be $2.19 billion, consisting of a $1.812 billion loan guarantee (including an initial allowance for accrued interest of $150 million) and an initial price guarantee of $378 million with a guaranteed price of $60 per barrel (March 1983). As the guaranteed loan is repaid, the amount of the loan guarantee would be converted into price guarantees up to a maximum amount of $2.19 billion. In addition, the letter of intent calls for the project to make revenue sharing payments to the Corporation based on after-tax cash flow for sixteen years from the start of production.

The ***Union Oil Parachute Creek Shale Oil Program, Phase II*** project, located at Parachute, Colorado, is sponsored by the Union Oil Company of California. The Phase II project is to be constructed in two 21,076 BPD increments, each using two Union Oil "C" retorts. The project is an expansion of the Union 10,400 BPD Phase I project and will require expanding the Phase I upgrading plant, as well as developing a new mine.

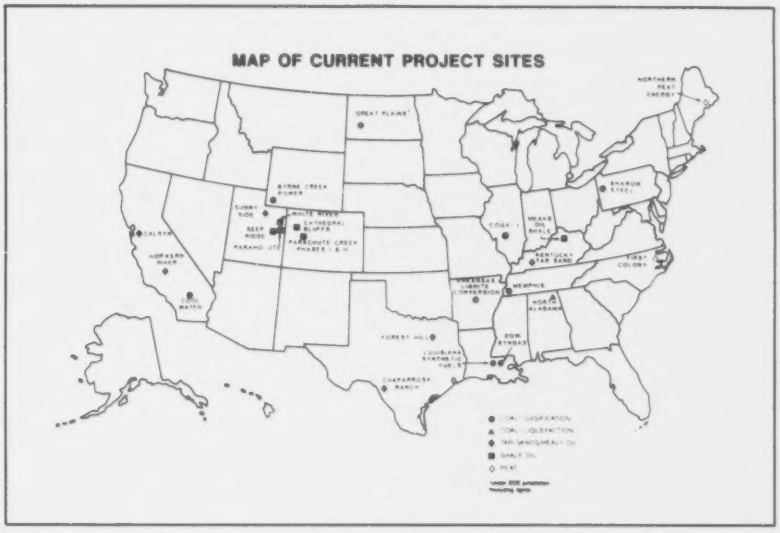
The Chairman executed a letter of intent for the Phase II project on December 1, 1983. The letter outlines potential Corporation assistance of up to $2.7 billion in price guarantee assistance. Increment I of the Phase II project would initially receive up to $1.55 billion which may be increased by $400 million through an incentive adjustment associated with the effective utilization of the Union Oil "C" retorting technology. Increment II would receive up to $750 million in price guarantee assistance. Revenue sharing with the Corporation will continue for 16 years after the start of shale oil production.

The incentive adjustment contemplated for Phase II calls for a guaranteed price of $60 per barrel (1983 dollars) which may be increased up to $67 per barrel should Union successfully utilize its "C" technology. These prices will be escalated after 1983 using the Producer Price Index.

The ***Seep Ridge*** project near Vernal, Utah, is expected to produce 1,000 barrels per day of shale oil utilizing the "LOFRECO" in-situ extraction technique developed by Geokinetics, Inc. The crude shale oil would be upgraded to diesel fuel and other refinery projects. Construction is underway, and production is anticipated in 1985.

On December 1, 1983, the Corporation's Board of Directors authorized the Chairman to enter into a letter of intent with the sponsors of the Seep Ridge project. The letter of intent, which has not yet been signed, contemplates up to $45 million in financial assistance, consisting of a loan guarantee of $21.3 million and an initial price guarantee of $23.7 million. The amount of the price guarantee would increase up to a maximum of $45 million as the loan is repaid. The terms of the price guarantee would run for ten years with the guaranteed price of $42.50 per barrel (1983 dollars) escalating with the Producer Price Index. The Corporation would share in the project's cumulate after tax cash flow for 15 years from the start of shale oil production.

In addition to the three oil shale projects for which letters of intent have been signed or proposed, twelve other projects re-



main under consideration in the Third Solicitation. Descriptions of these projects follow.

The ***Byrne Creek Power*** project is a venture of Laramie Resources Partnership, comprised of World Energy, Inc. and Extractive Fuels, Inc. It proposes to utilize underground coal gasification technology to produce 150 BOED of light oil and 1,422 BOED of fuel gas. The fuel gas is to be used to produce 25 megawatts (MW) per day of electric power. Start of construction at a site near Evanston, Wyoming is scheduled for late 1985 and start of operations for late 1986. Loan and price guarantees are requested.

The ***Chaparrosa Ranch Tar Sands*** project, proposed for a site on the Chaparrosa Ranch near La Pryor in Zavala County, Texas, is sponsored by the Chaparrosa Oil Company. It proposes to utilize Conoco's Fracture-Assisted Steam Flood (FAST) tar recovery process to produce 5,000 BPD of tar (5,350 BOED) from the San Miguel tar sands formation. Start of construction is scheduled for mid-1984 and start of operations for early 1985. Loan and price guarantees are requested.

The ***Dow Syngas*** project, planned for a site in Plaquemine, Louisiana, is sponsored by the Dow Chemical Company. It proposes to utilize Dow's coal gasification technology to produce 30 billion Btu's per day of fuel gas (5,172 BOED) from low-rank coal, either lignite or western subbituminous. Start of construction is scheduled for late 1984 and start of operations for early 1987. A price guarantee is requested.

The ***Forest Hill Heavy Oil*** project proposes to utilize a fire flood process (thermal stimulation using oxygen in-situ combustion) to produce at peak capacity 1,750 barrels per day of heavy oil (1,870 BOED) from the Harris Sand heavy oil formation. Initial commercial production at a site in Wood County, Texas is scheduled for early 1984. The project's sponsor, Greenwich Oil Company, has requested loan and price guarantees.

The ***Kentucky Tar Sand*** project is sponsored by Texas Gas Development Corporation, a subsidiary of Texas Gas Resources Corporation. It proposes to utilize surface mining and the percolation version of the Dravo solvent extraction process to produce 5,000 BPD of heavy oil (5,600 BOED) from the Big Clifty tar sands formation in Logan County, Kentucky. Start of construction is scheduled for mid-1985 and start of operations for late 1986. A price guarantee is requested.

The ***Means Oil Shale*** project in Montgomery County, Kentucky is sponsored by Southern Pacific Petroleum, Central Pacific Minerals and Dravo Engineers, Inc. The project plans to utilize surface mining, the Dravo circular traveling grate retorting process and the Gulf shale oil upgrading process to produce 13,440 BPD of upgraded shale oil and 23 MW per day of electricity for sale (14,367 BOED total). Start of construction is scheduled for early 1985 and start of operation for mid-1987. Loan and price guarantees are requested.

The ***Memphis Industrial Fuel Gas*** project, to be located at a site in Memphis, Tennessee, is sponsored by Memphis Synfuels Partnership, consisting of Foster Wheeler Energy Corp., Houston Natural Gas Corp., Cives Corp., Ingersoll-Rand Co., CBI Industries, Inc., and Great Lakes International, Inc., as general partners, and Institute of Gas Technology, City of Memphis (Light, Gas and Water Division) and a major air plant vendor yet to be identified, as limited partners. It is designed to gasify

midwestern bituminous coal to produce 45 billion Btu's per day of medium-Btu gas and 5 billion Btu's per day of synthetic natural gas (8,621 BOED) utilizing the U-gas process. Start of construction is scheduled for fall of 1984 and start of operations for mid-1988. Loan and price guarantees are requested.

The ***North Alabama Coal-to-Methanol*** project in Murphy Hill, Alabama is sponsored by a consortium including Air Products and Chemicals, Inc., Houston Natural Gas Company, and Raymond International, Inc. The Tennessee Valley Authority (TVA) has been acting as project manager and has been expending federally allocated funds on project development. These funds will be repaid by the consortium after the project has been transferred to it from TVA. The North Alabama project proposes to gasify midwestern bituminous coal to produce 15,620 BPD of methanol (7,341 BOED). The project is currently evaluating the Texaco gasification process and plans to use Lurgi methanol synthesis. Site preparation has been completed; start of construction is scheduled for late 1984 and start of operations for late 1987. Loan and price guarantees are requested.

The ***Northern Peat Energy*** project to be located at a site near Milford, Maine is sponsored by the Signal Cleanfuels Corporation. The project is expected to produce 278,000 tons per year (3,065 BOED) of a peat-derived fuel (PDF), a pelletized solid with a heating value of approximately 10,000 Btu's per pound. The peat feedstock is to be mined using a pontoon-mounted clam shell system and transported to the processing site by pipeline as a water slurry. The wet carbonization process developed by J. P. Energy Oy of Finland will be utilized to upgrade the peat to PDF. Start of construction is scheduled for mid-1985 and start of operations for mid-1987. Loan and price guarantees are requested.

The ***Paraho-Ute Shale Oil*** project, proposed for a site in Uintah County, Utah, is sponsored by a group comprised of Signal Companies, Inc., Standard Oil Company of Ohio (SOHIO), Texas Eastern Corporation, Raymond International Corporation and Paraho Development Corporation. It intends to utilize the Paraho direct heat oil shale retorting process and the UOP upgrading process to produce 14,105 BPD of hydrotreated shale oil plus eight MW of electric power (14,436 BOED total) from western oil shale. Start of construction is scheduled for mid-1984 and start of operations for late 1987. Loan and price guarantees are requested.

The ***Sunnyside Tar Sands*** project, proposed for Carbon County, Utah, is sponsored by Standard Oil of California and GNC Energy Corporation. It is expected to produce 10,000 BPD of synthetic crude from the Sunnyside tar sands deposit utilizing surface mining, solvent extraction, and on-site upgrading involving coking and hydrotreating. Start of construction is scheduled for early 1987 and start of operations for late 1989. Loan and price guarantees are requested.

The ***White River Shale*** project in Uintah County, Utah (Federal lease tracts U-a and U-b) plans to produce 16,500 BPD of upgraded shale oil from western oil shale utilizing room-and-pillar mining and Union Oil's retorting and upgrading processes. It is sponsored by White River Shale Oil Corporation which is comprised of subsidiaries of Phillips Petroleum, SOHIO, and Sun Company. Start of construction for the surface facilities is scheduled for 1986 and start of operation for late 1988. Loan and price guarantees are requested.

TARGETED SOLICITATIONS

After issuing the third general solicitation for synthetic fuels projects in August 1982, the Corporation investigated methods, other than the general solicitation, for attracting strong and qualified projects and selected a solicitation approach "targeted" at specific resources.

For the first three targeted solicitations, the process provides for a two-step competition. The first step requires projects to submit qualification proposals demonstrating the sponsor's capability to finance, design, construct and commercially operate the production facilities. Projects meeting minimum solicitation qualification criteria then submit a technical proposal and a separate competitive bid for one of the designated forms of financial assistance. The technical proposal is intended to provide any necessary amplification or clarification of the qualification proposal and to confirm a project's qualified status. The competitive bid, essentially corresponding to the total amount of financial assistance being requested from the Corporation, is used as the basis for selecting a winning project. The low bid winner is selected for negotiations intended to lead to the award of an assistance contract.

For the fourth, fifth and sixth targeted solicitations, the process is one-step, and the winner is selected on the basis of several factors after negotiations.

Competitive Solicitation For Western Oil Shale Projects

In September 1982, the Board authorized preparation of the first targeted solicitation for western oil shale projects. Because of the small number of shale projects before the Corporation at that time and the importance of oil shale development to any program for meeting the purposes of the Energy Security Act, the Board formally issued the Competitive Solicitation for Western Oil Shale Projects in January 1983.

The solicitation was targeted to projects proposing to use oil shale from the Green River Formation, located in Colorado, Utah and Wyoming, which is the largest, richest and, therefore, the most important oil shale deposit in the United States. The solicitation was designed for projects beginning commercial operations by 1990 and producing a minimum of 10,000 barrels of shale oil per day. Eligible projects could compete for one of three forms of financial assistance: a price guarantee, a loan guarantee, or a combination of the two. The Corporation reserved the right to reject any bid for financial assistance exceeding $1.6 billion.

Of the six projects which submitted qualification proposals to the Corporation by the March 15, 1983, deadline for the solicitation, four were determined qualified to submit technical proposals and competitive bids. Three of the four projects, the Cathedral Bluffs, Union Oil Parachute Creek Phase II and White River Shale projects, also had proposals under active consideration in the Third Solicitation; the fourth project, Syntana-Utah, had previously applied to the Corporation under the Initial Solicitation.

Only Union Oil Parachute Creek Phase II chose to respond by the June 1, 1983, deadline for submission of a technical proposal and bid. However, Union's bid was found to be non-

responsive to the terms of the solicitation, and the solicitation was terminated.

Competitive Solicitation For Gulf Province Lignite Projects

In February 1983, the Board authorized the preparation of a targeted solicitation for Gulf Province lignite gasification projects. Gulf Province lignite represents a substantial resource in terms of its size, its suitability for use by a synthetic fuels industry, and its proximity to energy intensive industries in the lower Mississippi Valley and Gulf Coast region. No other major coal resources exist in that area to offset declining production levels of conventional oil and gas.

The Competitive Solicitation for Gulf Province Lignite Projects requested projects proposing the commercial production of medium-Btu gas, high-Btu gas or methanol (or a combination thereof) by 1991. The minimum project production scale was to be determined on a Btu basis and was specified to be 10,000 barrels per day on a crude oil equivalent (COE) basis. As with the Competitive Solicitation for Western Oil Shale Projects, projects were limited to competing for assistance in the form of a price guarantee, a loan guarantee or a combination of the two. The Corporation again reserved the right to reject any competitive bid over $1.6 billion.

The ***Arkansas Lignite Conversion*** project, sponsored by Arkansas Power & Light (a subsidiary of Middle South Utilities, Inc.), International Paper Company, and Dow Chemical Company, was the sole respondent to the July 25, 1983, deadline for this solicitation. The project, which would be located in Hampton, Arkansas, proposes to gasify Gulf Coast lignite utilizing the Dow gasification process to produce 66.2 billion Btu's per day of fuel gas (11,400 BOED). Start of construction is scheduled for mid-1986 and start of operations for early 1990. Loan and price guarantees are requested.

The Corporation reviewed the Arkansas Lignite Conversion project's qualification proposal and invited the sponsors to submit a technical proposal and bid by October 25, 1983. The Board's subsequent review of the technical proposal and bid found that the project did not fully meet the requirements of the solicitation, which was then terminated. However, due to the importance of the resource, the Board determined that a Gulf Coast lignite project was essential to the synthetic fuels program and directed staff to enter into direct negotiations with the project sponsors as provided for in Section 131(b)(4) of the Energy Security Act. To assure that no reasonable proposal to develop Gulf Coast lignite is overlooked, the Board also directed staff to consider similar negotiations with other applicants who might propose competitive alternatives to the Arkansas Lignite Conversion Project.

Competitive Solicitation For Eastern Province And Eastern Region Of The Interior Province Bituminous Coal Gasification Projects

In April 1983, the Board authorized preparation of a targeted solicitation for coal gasification projects using eastern and midwestern bituminous coal. These higher rank coals, lying east of the Mississippi River, represent almost half of the total coal reserves of the United States and are located in close proximity to water, transportation and the major industrial centers of the United States. They are important elements of any program to develop synthetic fuels. The Board authorized the formal issuance of the Competitive Solicitation for Eastern Province and Eastern Region of the Interior Province Bituminous Coal Gasification Projects in June 1983.

The solicitation for eastern and midwestern coal gasification projects was limited to projects producing medium-Btu gas, high-Btu gas, methanol or gasoline (or a combination thereof) and proposing commercial operation by July 1991. The solicitation was later amended to include ammonia and ammonia synthesis gas (a mixture of hydrogen and nitrogen) as eligible products. With the exception of proposals for projects producing ammonia and ammonia synthesis gas, the minimum project production scale was to be determined on a Btu basis and was specified to be 10,000 barrels per day (COE). Minimum scales for plants producing ammonia or ammonia synthesis gas were set at 2,400 short tons of ammonia per day or 215 million standard cubic feet of ammonia synthesis gas per day, respectively. As with the competitive oil shale and Gulf lignite solicitations, projects were limited to competing for either a price guarantee, a loan guarantee or a combination of the two. The Corporation reserved the right to reject any competitive bid over $1.9 billion.

Eight of the nine projects responding to this solicitation met the preliminary requirements for demonstrating sufficient evidence of the sponsors' abilities to assemble the total financial capability needed for completion and operation of the project. Only five of the eight, however, met the December 1, 1983, deadline for submission of qualification proposals, and subsequently, one of the five withdrew from the solicitation. On January 5, 1984, the Board examined the four remaining qualification proposals and selected three projects as qualified bidders under this solicitation. The three must now submit technical proposals and competitive bids to the Corporation by March 6, 1984. Descriptions of these projects follow.

The ***COGA-1*** project, which will be located in southern Illinois, plans to gasify 6,600,000 tons per year of Illinois #6 coal utilizing the Texaco coal gasification process to produce 1,100,000 tons per year of anhydrous ammonia. The project is being proposed by Coal Gasification, Inc. The sponsorship group as currently identified includes Dean Witter Reynolds and CBI Industries, Inc. Completion of the first phase of this project is expected in 1987.

The ***Sharon Steel*** project, which will be located at the Sharon Steel plant in Farrell, Pennsylvania, proposes to gasify Pittsburgh seam bituminous coal to produce 280 million standard cubic feet per day of medium-Btu gas utilizing the Kloeckner molten iron coal gasification process. Sponsors include Sharon Steel Corporation, Pennsylvania Engineering Corporation, DWG Corporation and Kloeckner Kohlgas GmBH. Project completion is scheduled for August 31, 1987.

The ***Louisiana Synthetic Fuels*** project, which will be located at Georgia-Pacific's plant in Plaquemine, Iberville Parish, Louisiana, plans to gasify eastern coal to produce 58 billion Btu's per day of medium-Btu gas, utilizing the British Gas/Lurgi slagging gasification process. The sponsor of the project is the Slagging Gasification Consortium composed of Babcock Woodall-Duckham, Ltd., British Gas Corporation, and the BOC Group. A major coal mining company is expected to become a co-

sponsor. Georgia-Pacific will supply the site, operate the plant, and buy the product. Project completion is scheduled for early 1989.

Solicitation For Coal-Water Fuel Projects

In response to a request for a solicitation, pursuant to Section 127(c) of the Energy Security Act, for a project to produce coal-liquid fuels, the Corporation studied the basic technology, market, economic, project and program issues surrounding the production and use of such fuels in both electric utility power plants and industrial fuel burning facilities.

Three types of coal-liquid fuels were considered: coal-oil, coal-water and coal-methanol. In examining the production and use of these fuels, the Corporation obtained information from fuel producers and fuel users and concluded that a significant quantity of residual fuel oil could be replaced by coal-water fuels. Such projects were also found to offer real short-term progress toward meeting the national synthetic fuel production goals. Accordingly, the Board directed preparation of a Solicitation for Coal-Water Fuel Projects, which was issued on January 5, 1984.

Two awards may be made under this solicitation: one to a project producing fuel for use in industrial fuel burning facilities, and the other for a project producing fuel for use in an electric utility power plant. The minimum allowed scale for each project will be determined on a Btu basis and is proposed to be 1,000 and 3,000 barrels per day (COE) respectively. Because the Corporation believes construction of such projects could be financed by the private sector, the solicitation provides for price guarantee assistance only. In contrast to earlier targeted solicitations, only a qualification proposal will be required of projects responding to this solicitation. The Corporation will evaluate each proposal and designate qualified projects within each category to enter into competitive negotiations intended to lead to award of a price guarantee to those projects offering the most advantageous terms and conditions to the Corporation.

Solicitation For Coal Or Lignite Gasification Projects

Also on January 5, 1984, the Board gave final approval to a Solicitation for Coal or Lignite Gasification Projects capable of producing a minimum of 10,000 barrels per day of crude oil equivalent (COE) by 1990. Under this solicitation, projects producing medium-Btu gas, high-Btu gas, methanol, gasoline or liquid petroleum gases and submitting satisfactory qualification proposals, can negotiate for price guarantee assistance from the Corporation. Preference will be given to those projects offering the earliest production at the lowest unit cost, and requiring the least financial assistance per unit of production and the least total amount of financial assistance overall. Competitive negotiations under this solicitation can begin soon after a proposal has been submitted, and the deadline for negotiation of the principal terms and conditions of financial assistance is April 5, 1984.

Solicitation For Projects Proposing To Retrofit Existing Chemical Plants

The retrofit of existing chemical plants, refineries or other industrial facilities to produce coal-based synthetic fuels is a potentially significant and economic avenue for the commercial utilization of synthetic fuel technology. Such facilities could offset petroleum and natural gas use while attaining synthetic fuel production capability at a comparatively small price.

In January 1984, the Board tentatively approved a solicitation offering price guarantee assistance for synthetic fuel production resulting from the retrofit of existing chemical plants and refineries to use feedstocks produced from the gasification or liquefaction of coal. The solicitation requests projects generally within the range of 3,000 to 8,000 BOED. The use of existing plant infrastructure offers easier siting, potentially less stringent environmental/socioeconomic requirements and a shorter construction and start-up schedule than that required for new plant facilities. The solicitation is expected to be issued in February 1984 after review by the Corporation's Advisory Committee.

FOURTH GENERAL SOLICITATION

In an effort to accommodate several requests for solicitations and provide an avenue by which previously rejected proposals for synthetic fuels projects could be reconsidered for financial assistance, the Board gave tentative approval to a Fourth General Solicitation for Synthetic Fuel Projects on January 5, 1984. Under the terms of the solicitation, proposals for projects using any of the eligible synthetic fuel resources and producing any eligible product, except coal-water fuels, can be considered for financial assistance. Final approval of the solicitation is also expected in February 1984 after review by the Advisory Committee.

DIRECT COAL LIQUEFACTION

While the solicitation process has attracted qualified projects in most major resource/technology areas, the Corporation has not yet been able to attract strong projects employing direct coal liquefaction technology. Domestic coal resources could support synthetic fuel production exceeding hundreds of billions of barrels of oil equivalent. Experience with the coal gasification technologies now before the Corporation can support production of liquids from coal using indirect liquefaction processes. Beyond this, however, the Corporation has made special efforts to identify and solicit strong projects using direct liquefaction technologies.

In 1983 the Corporation requested industry and public comment on drafts of two solicitations targeted toward direct liquefaction projects. One draft solicitation provided for loan guarantee and/or price guarantee incentives, and the other provided for joint venture assistance. The Corporation received no expression of industry interest in either of these draft solicitations.

In general, the private sector has demonstrated less interest in assuming equity positions in coal projects than in other types of synthetic fuel projects. In part, this is because coal conversion projects often involve higher capital and operating costs than oil shale or tar sands projects. Yet both industry and government recognize the long-range production potential of coal and the value of pioneer commercial experience using this resource, and the Corporation is working actively to encourage projects designed to improve the nation's capability to turn coal into liquids.

The Corporation is hopeful that a direct liquefaction project may be submitted in response to the solicitation for projects proposing to retrofit existing chemical plants because of the special economies and efficiencies a retrofit offers.

PROJECT MONITORING

The Corporation follows closely the progress and activities of projects it selects for financial support. This monitoring effort is directed toward both oversight of public funds and development of a database for the design and operation of synthetic fuel plants. Data on project design, financing, operation and potential environmental and health effects will be gained from these first plants and will provide a valuable source of information for further synthetic fuels development.

Currently the Corporation monitors the Union Oil Parachute Creek Shale Oil Program, Phase I project, which transferred from the Department of Energy in February 1982 under authority of Executive Order 12346, and the Cool Water Coal Gasification project, which was awarded financial assistance in July 1983.

Union Oil Parachute Creek Shale Oil Program, Phase I

The Union Oil Company of California is pursuing phased development of its oil shale properties acquired over the last 60 years in Colorado. Phase I of that development is a 10,400 barrel per day oil shale facility north of the town of Parachute in Garfield County, Colorado. The project, which includes all facilities necessary to mine and retort the shale rock and upgrade the resultant 10,400 barrels per day of shale oil, will employ conventional room and pillar mining techniques to be followed by underground crushing and screening of 12,500 tons per day of shale rock. The shale rock will be taken from the Mahogany Zone of Colorado's Green River Formation and has an average yield of 34 gallons of crude shale oil per ton. Retorting of the shale rock will take place about 1,000 feet above the valley floor on a five-acre bench site adjacent to the mine entrance using the Union "B" retorting process.

Construction of the project, which costs approximately $640 million, reached mechanical completion in August 1983. The project is now undergoing commissioning to prepare for start-up and is expected to begin actual production in early 1984.

The construction workforce peaked at about 2,500 during December 1982 but declined in early 1983 as construction activity began to taper off. The permanent operating workforce of 500 is now in place for the Phase I project. Union expended nearly $63 million through 1983 to alleviate the Phase I project's impact on local community housing and public services.

The financial assistance agreement entered into with Union Oil for the Phase I project provides for the Department of Defense to receive 33 million barrels of military specification refined products from July 1, 1983 through June 30, 1993. In addition, Union Oil Company is committed to construct, operate and maintain the Phase I facility with the intention of producing syncrude at an average volumetric rate of not less than 825,000 barrels per quarter through June 30, 1990.

Syncrude produced from shale oil processed at the facility, up to a limit of 20 million barrels, will be eligible for certain price differential payments from the start of production through June 30, 1990. These price differential payments are based on a formula that takes into account the price of natural gas and the GNP implicit price deflator. The maximum Corporation liability for the price differential payments is $400 million. The Department of Defense will pay the market price for the purchased products.

The Corporation's primary role with respect to the Union Oil Phase I project is to monitor the terms of its financial assistance agreement. Drawing from various offices of the Corporation, a monitoring team assigned to the project examines costs against approved baselines, technical design progress, construction progress, permit compliance, and the environmental and socioeconomic effects of the project. This type of monitoring is done primarily through the analysis of reports received from Union, with periodic site visits and meetings to confirm stated progress.

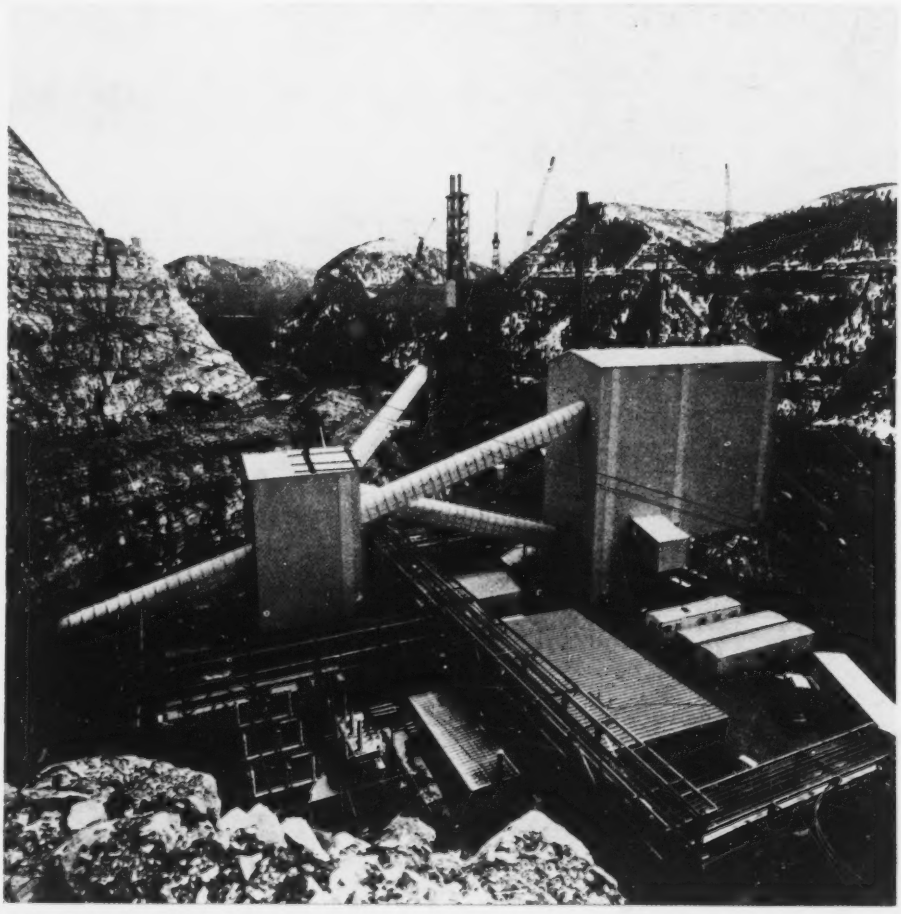
With the start of syncrude production, the Corporation's focus will shift to the verification of syncrude quantity and quality and to the study of the operating characteristics of the project including technical operating efficiency, cost and environmental performance. Only after Union produces fuel meeting the specifications stipulated in the agreement will the project be eligible for price support payments. During 1983, the Corporation worked with Union to improve procedures in the agreement to allow Union Oil greater operating flexibility and, at the same time, to provide the Corporation with a more specialized process for monitoring syncrude quantity and quality. Now that the construction phase of the project is substantially complete, the Corporation has undertaken more site specific activities for syncrude production monitoring; these activities are directly related to contractual responsibilities associated with the Corporation's price support payments.

The Union Oil Phase I financial assistance agreement requires environmental monitoring to ensure that the sponsor obtains and complies with all relevant environmental permits, implements a socioeconomic mitigation program during construction, and operates an industrial health and safety program. Union Oil has submitted quarterly and annual reports to the Corporation on these matters, and the Corporation conducted an on-site preoperational environmental/socioeconomic contract compliance review, which established that the sponsor has complied substantially with these contract terms and conditions.

Cool Water Coal Gasification Project

The Cool Water Coal Gasification project in Daggett, California employs the Texaco gasification process to produce 750 million Btu's per hour of medium-Btu gas to power a 100 megawatt combined cycle electric power generating facility. As was described earlier in this Report, the Corporation awarded $120 million in price guarantees to the project on July 28, 1983. At that time project monitoring activities commenced.

Initial monitoring of the Cool Water project has focused on implementation of the contractual requirements of its financial assistance agreement as they relate to several key areas, including plant performance testing procedures, product measurement and monitoring procedures, participation of small and disadvantaged businesses, and monitoring of monthly water usage and labor reports.



Union Oil Phase I Retort Plant, Raw Shale Handling *Photo courtesy of Union Oil Company of California*

In the area of environmental monitoring, the Cool Water project's Environmental Monitoring Plan Outline was approved by the Board of Directors in July 1983 and incorporated into the Financial Assistance Agreement. The project is currently developing an Environmental Monitoring Plan based on its Outline for submission to the Corporation in 1984. This Plan will give details of the monitoring tasks which are set forth in general terms in the Outline; it will include, among other things, descriptions of the project's permit-related monitoring requirements, the supplemental monitoring tasks to be performed (e.g., monitoring directed at unregulated substances of environmental or health concern, and the establishment and maintenance of a worker registry), and the frequency, duration, and methodology to be used for each monitoring task.

PROGRESS TOWARD GOALS

Production

To date the Corporation is involved in financial assistance agreements or non-binding letters of intent with the sponsors of six synthetic fuels projects; two additional letters of intent have been proposed, but not yet signed. The total production of these projects is approximately 62,000 BOED, and each has sufficient additional resource to consider expansion at the same site. The accompanying table illustrates the on-site expansion potential of these projects to approximately 260,000 BOED. All of the technologies represented by the projects in this table can be replicated at sites other than the proposed project site and with different resources than those used in the project.

Projects Having Financial Assistance Agreements (FA), Letters of Intent (LI) or Oral Understandings Potentially Leading to Letters of Intent (OU) as of January 5, 1984

Project	State	Resource/Technology	Status	Production Rate (BOED)	*Ultimate Site Expansion Potential (minimum) (BOED)
Cool Water	CA	Coal/Gasification Combined Cycle	FA	4,300	8,600
CALSYN	CA	Heavy Oil/Conversion	LI	6,050	10,000
HOP Kern River	CA	Heavy Oil/In-Situ Production	OU	3,938	30,000
First Colony	NC	Peat/Gasification - Methanol	LI	2,158	15,000
Union Oil Parachute Creek Phase I	CO	Shale/Retorting followed by upgrading	FA	10,400	—
Union Oil Parachute Creek Phase II	CO	Shale/Improved Retorting followed by upgrading	LI	42,152	90,000
Cathedral Bluffs	CO	Shale/Surface Retorting and modified In-Situ Retorting followed by upgrading	LI	14,100	100,000
Seep Ridge	UT	Shale/In-Situ Retorting	OU	1,000	8,000
			TOTALS	84,098	261,600

*The estimates of ultimate site expansion potential are based both on current Corporation staff opinion on the land, water and resource availability for each project and the assumption that appropriate mitigation of environmental limitations, if any, is possible. The estimates should in no way be considered as reflective of the sponsors' current planning for site development.

There are also two other commercial synthetic fuels projects which are at, or near, completion and worthy of mention due to their potential contribution to national production. One is the Great Plains project in Beulah, North Dakota, which received a $2.02 billion loan guarantee from the Department of Energy in 1981 and would gasify coal to produce the equivalent of 21,000 BOED. This project could be expanded ultimately at the same site to 84,000 BOED. The other is the privately financed Tennessee Eastman project in Tennessee which gasifies coal to produce approximately 4,000 BOED of synthesis gas for chemical feedstock; this project could be expanded ultimately to 12,000 BOED at the same site.

Thus, depending on whether the production goal in Section 125 of the Energy Security Act is defined in terms of on-line capacity or on-site expansion potential, the nation is already moving toward either 22 percent or 72 percent achievement of its 1987 production goal of 500,000 barrels of oil equivalent per day of production capacity.

Diversity

The Energy Security Act requires the Corporation to develop a diverse set of strong projects which will lay the foundation for future industry expansion. As described by the Act, diversity applies to both synthetic fuel resources and technologies. The Corporation's current project slate encompasses a wide range of resource and technology combinations; the key resources on which efforts have been focused thus far are coal, including lignite and peat, oil shale, tar sands and certain heavy oils.

In the coal area, several projects currently under construction or in operation have already provided some progress toward achieving technological diversity using this vast resource. In particular, the Great Plains project now under construction in North Dakota is expected to provide operating experience using the Lurgi gasifier on lignite. This experience is expected to be applicable to subbituminous coals. The Cool Water project, which received an award from the Corporation this year, will provide commercial experience with the Texaco gasifier in processing bituminous and subbituminous coals and with the recovery of process heat. The Tennessee Eastman project also uses the Texaco gasifier to produce synthesis gas for downstream chemicals. The Corporation has a number of other coal projects currently before it which can further contribute to diversity for this resource.

In addition to coal, the Corporation made significant progress in 1983 toward developing a strong mix of oil shale projects. With the prospect of imminent production from the Union Oil Parachute Creek Shale Oil Program, Phase I project, other oil shale developers are considering the Union "B" technology for the initial phases of their projects. Union is also working on the next generation of its process, the Union "C" technology, which has been proposed for the Phase II expansion. Additional shale oil technologies are being pursued, including the modified in-situ technology proposed for the Cathedral Bluffs project, which could prove important for reaching deeper oil shale resources, and the in-situ technology used in the Seep Ridge project, which is applicable to shallow oil shale resources. Beyond these projects for which letters of intent have been proposed or signed, several other oil shale projects are currently being considered.

Letters of intent have been proposed or signed for two heavy oil projects offering diversity in the tar sands/heavy oil area. These projects are the HOP Kern River Commercial Development project, which plans to use a steam-drive, mine-assisted in-situ technology, and the CALSYN Heavy Oil Upgrading project, which proposes to utilize the Dynacracking technology to increase the market value of heavy crude feedstocks. Four other tar sands/heavy oil projects remain under consideration.

Figure 1, illustrating the technological and resource diversity potential of projects now before the Corporation, appears on page 16.

Encourage Private Capital Investment

While the economic climate has improved somewhat in 1983, industry sponsors have continued to move cautiously in considering investment in synthetic fuel projects. The Corporation has encouraged participation by being flexible and responsive to the needs of project sponsors and by intensifying its sponsor outreach efforts.

The terms and conditions of the letters of intent issued thus far have attempted to meet sponsor requirements, minimize the Corporation's obligational authority commitments, and provide for taxpayer recovery of funds where appropriate. For example, in the case of the "convertible" loan/price guarantee combination used in the First Colony and Cathedral Bluffs letters of intent, loan guarantees can be converted dollar-for-dollar to price guarantees as the loans are retired or refunded. Provisions in several of the targeted solicitations allow for a weighting in the amount of a price guarantee toward the early years of production to assist sponsors in obtaining needed operating capital and retiring outstanding debt. In all cases, however, price guarantee contracts will carry provisions enabling the Corporation to share in the profits of a project should the price of energy rise dramatically.

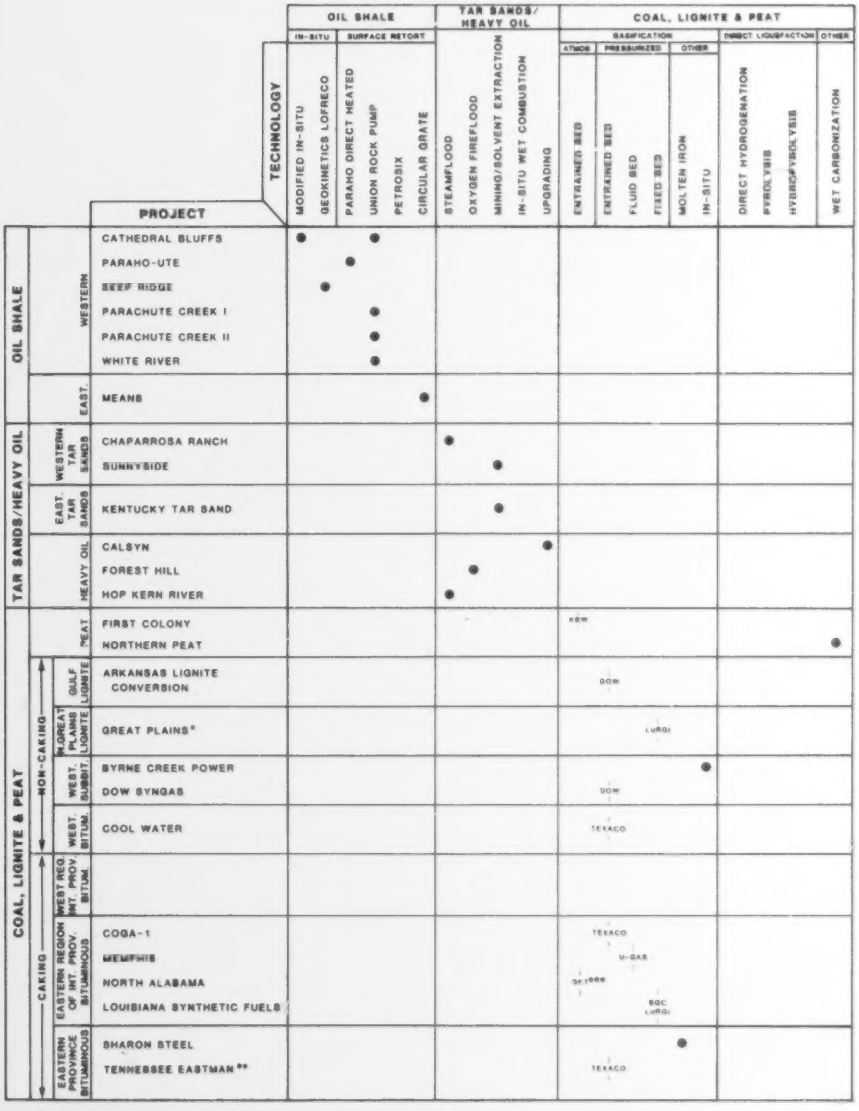
Efforts to encourage additional equity investment in projects have been supplemented by an outreach program to educate potential investors to the opportunities for participation in synthetic fuels development. The program is designed to educate individuals and companies to investment opportunities in this new industry. The outreach initiative provides an open channel of communication between industry and the Corporation's Board of Directors and senior staff.

Defense Applications

The special status accorded defense fuel requirements in the Energy Security Act is an important consideration in the Corporation's formulation of policy and strategy. Targeted solicitation bidders are required to discuss with the Department of Defense the relevance and availability of their proposed products for meeting defense needs. And in developing the Comprehensive Strategy, consideration will be given to specific initiatives to increase the defense value of future Corporation programs. These initiatives could include consultation with Department of Defense fuel experts on the chemical specifications and properties of synthetic fuels for use in military aircraft, vehicles, and stationary applications.

At the Defense Department's request, the Comprehensive Strategy will also consider modifications to the Corporation's authorities and forms of assistance which would facilitate purchase agreements between the Department and project sponsors.

Figure 1
TECHNOLOGY AND RESOURCE DIVERSITY



*DOE loan guarantee only. No SFC assistance.
**Privately financed. No SFC assistance.
***Project is evaluating the option of switching to Texaco.

Environmental and Regulatory Considerations

Section 131(e) of the Energy Security Act states that "any contract for financial assistance shall require the development of a plan, acceptable to the Board of Directors, for the monitoring of environmental and health related emissions from the construction and operation of the synthetic fuel project." The purpose of such plans is to provide a basis for evaluating the impacts of first-of-a-kind projects and so reduce the environmental, health, and safety uncertainties associated with future synthetic fuels development.

To implement Section 131(e) the Board of Directors adopted Interim Final Environmental Monitoring Plan Guidelines in April 1983 and solicited public comments (48 FR 14108-14113, April 1, 1983). After evaluation of the comments received, the interim guidelines were revised, and the Board of Directors approved final Guidelines on July 28, 1983 (48 FR 46676-46685). These final Environmental Monitoring Plan Guidelines set forth the procedural steps to be taken, and the broad substantive areas to be addressed, in the development of both Environmental Monitoring Plan Outlines and the final Environmental Monitoring Plans developed from the Outlines. Further, the Guidelines specify the criteria which the Corporation will use to determine the acceptability of the Outlines and Plans submitted by sponsors.

In keeping with the requirements of the Act and the Corporation's criteria for project evaluation, all proposals for financial assistance are reviewed to assess the adequacy of sponsors' plans for the following: timely acquisition of federal, state and local permits and other governmentally required approvals; securing of sufficient water to meet project needs; and mitigation of the socioeconomic impacts which may be associated with project construction and operation.

These provisions require project sponsors to list all permits already received and to set forth a schedule for acquisition of those permits still needed. Timely acquisition of necessary permits and compliance with the terms of all applicable permits will be conditions of all financial assistance agreements. In the case of the Cool Water project's financial assistance contract, for example, specific language was developed to ensure continued project acceptability in the permitting, water availability, and socioeconomic areas. Where appropriate, project sponsors also will be required to perform specified water supply monitoring and socioeconomic monitoring and mitigation.

Environmental Monitoring Plan Outlines were received from the sponsors of eighteen proposed projects during 1983. More than half of the Outlines have already undergone detailed review by the consulting agencies designated under Section 131(e) of the Energy Security Act, and most of the others will be reviewed during the first half of 1984. Several Outlines have reached the final stage of review and may be presented to the Board of Directors in early 1984 for determinations of acceptability.

Finally, pursuant to Section 174 of the Act, each financial assistance agreement entered into by the Corporation will incorporate provisions which provide for fair and reasonable participation by small and disadvantaged businesses in project construction and operations. And in the case of projects seeking loans or loan guarantees, agreements will also include provisions requiring project contractors to comply with the requirements of the Davis-Bacon Act.

RECOMMENDATIONS FOR LEGISLATION

Section 177(d) of the Energy Security Act requires that the Annual Report contain specific recommendations on actions the Congress could take in order to facilitate the work of the Corporation.

Prior to passage of the Energy Security Act, Congress had put in place two tax incentives designed to create an attractive investment climate for the infant synthetic fuels industry. The energy tax credit (ETC), which was written into the income tax law of 1978, and the production tax credit (PTC), a part of the Windfall Profit Tax Act of April 1980, were intended to offset the high capital costs and market risks associated with synthetic fuels development.

Although the Corporation is authorized to make awards through 1992 and the PTC will be available to projects through the end of the century, expenditures through 1990 could qualify for the ETC only if a sponsor had completed engineering studies and permitting requirements by the end of 1982 and had contracts for half of his specially designed equipment by the end of 1985. These two "affirmative commitment" dates have proven to be unduly restrictive for synfuels development in light of the weak economic environment which has slowed such development since the Act was passed. It is estimated that less than half the projects under review and negotiation by the Corporation met the 1982 deadline; the majority, therefore, are not qualified for the ETC.

The Corporation vigorously supports an extension of the ETC and testified before both the House and Senate in 1983 on proposed legislation which would restore the balanced set of incentives for synfuels that Congress originally intended when the Energy Security Act was passed. The ETC is highly potent; one dollar of credit has the equivalent impact on investor's return of more than $5 of price supports. Restoring this credit, or a similar tax benefit such as immediate amortization, would help mobilize capital—the essential ingredient to further industry development.

In addition, the ETC is limited in its applicability to some types of equipment related to synthetic fuel production, while the PTC is denied when the buyer of the fuel is a party related to the

producer. Both credits would prove more potent if such limitations were removed. The utility of the PTC would be further improved by allowing carryover such as is allowed with other types of credit.

In addition to changes in the tax credits for synthetic fuels projects, the Corporation recommends that the meaning of the term "production capability" contained in Section 125 of the Energy Security Act be clarified so as to include not only nameplate, on-line capacity of synthetic fuel plants, but also amounts of capacity that could be added by expanding existing facilities at the same sites or by building additional facilities at other identifiable sites. Such a clarification would be consistent with the purposes of the Energy Security Act since it recognizes the ability to enhance energy security and reduce vulnerability to disruptions in imported energy supplies through expansion of in-place capacity. It would also reinforce the Corporation's program to achieve the purposes of the Energy Security Act in a rational and orderly manner, with due regard to relevant economic and technological conditions.

The Corporation believes that certain other clarifications or amendments of the Energy Security Act might also prove desirable. These will be addressed in detail in the Comprehensive Strategy to be formulated by the Corporation in 1984.

The first such change would be to replace the joint venture provision of the Act (Section 136), which can only be implemented prior to Congressional approval of the Comprehensive Strategy, to allow the Corporation at any time to make incentive payments or investments to induce the construction and successful performance of semiworks installations. Semiworks are plants which are larger than initial pilot plants but somewhat smaller and considerably more short-lived than commercial plants. They might typically cost 10% to 15% of the cost of a commercial plant. Such semiworks would be in addition to, rather than a substitute for, the dozen or so diverse pioneer commercial plants to be assisted in the Corporation's first phase, and whatever commercial plants the Corporation assists in its second phase.

Semiworks installations would supplement commercial plants by providing experience over short time periods on a scale closer to eventual commercial size for advanced synthetic fuels technologies which have previously been run in a pilot plant. They would not involve the multiple trains and long-term facilities required for fully commercial production, which is the next logical stage of development.

Semiworks assistance would help fill the gap between the assistance available from the Department of Energy for basic and applied research and that available from the Corporation for the commercial production of synthetic fuels. Although this gap is not a serious restraint on the synthetic fuels industry in the Corporation's first phase, it could become a problem for the second and third generation technologies expected to be developed in the second phase, and semiworks authority would be useful for some advanced technologies even in the Corporation's first phase. Also, a relatively small amount of the Corporation's obligational authority would stimulate a major semiworks program.

Figure 2 displays the scope of responsibilities for the Department of Energy's R&D program (encompassing the research activities of both the Office of Energy Research and the Office of Fossil Energy) and the Corporation's commercialization efforts.

The Department of Energy's primary focus is on the early, fundamental stages of research, e.g., basic and applied research. As the chart indicates, the Department's current R&D program does not entail "process development," i.e., semiworks. The incentive payment and investment authority for semiworks proposed for the Corporation would help fill this gap and ensure that after the Corporation has financed a dozen or so commercial synfuels plants in the first phase of its operation, the development of second and third generation technologies could continue in an orderly, economic fashion through semiworks or commercial facilities, as Congress and the energy markets dictate. The Corporation has determined that there is considerable interest by industry in such a program.

Semiworks might also be defined broadly to include advanced process units for any stage of conversion of synfuels resources to usable fuel, including advanced units for environmental control, product upgrading, and production of transportation liquids from synthesis gas.

The supports typically awarded by the Corporation to commercial plants (loan and price guarantees) are not particularly appropriate for the support of a noncommercial semiworks. The incentive payment authority of the Corporation may therefore be recommended to take a broader form.

Because the Corporation believes that maximum reliance should be placed on the private sector to select and fund those semiworks it believes are most promising, the Corporation supports the passage of legislation similar to S. 2165 or H.R. 4475, which could enhance the tax credits available for semiworks. By placing primary reliance on the tax credit and secondary reliance on the Corporation's incentive payments, the Corporation believes that the direct role of government in these business decisions can be minimized in a desirable way.

With respect to basic and applied synfuels research, the Corporation believes that a program of awarding prizes in competitions for technological innovations would be a useful supplement to the Department of Energy's direct funding of research. A properly administered prize program might stimulate research and development activity significantly in excess of the modest amounts of money which would be awarded as prizes. Such a program would also permit universities, laboratories and businessmen to decide which ideas to pursue, and reward only the best.

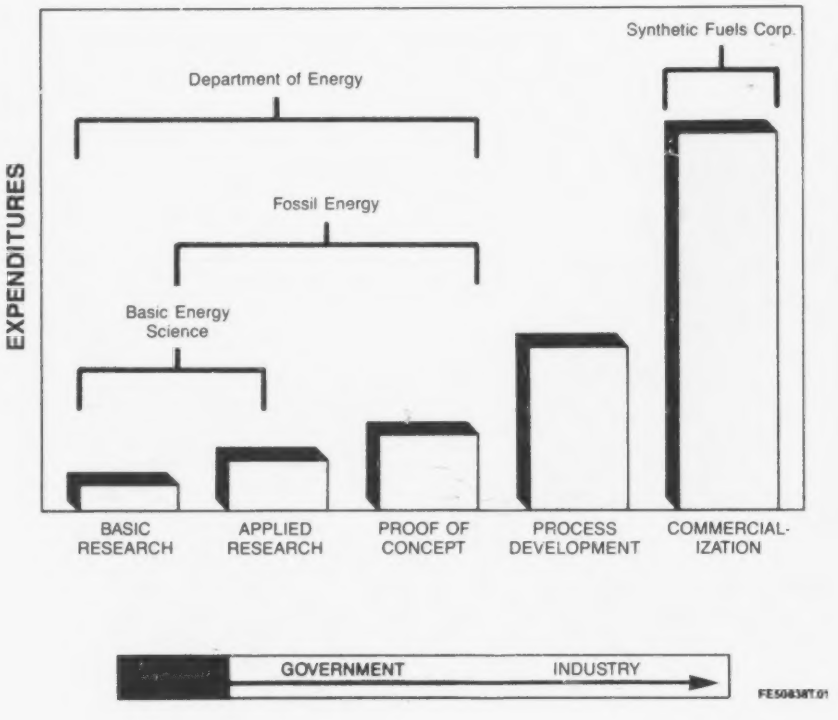
A further area in which the Corporation believes the Energy Security Act might usefully be amended would be to make the price guarantee authority under Section 134 of the Act more flexible.

Lastly, the Corporation believes that the requirements for direct negotiation of financial assistance under Section 131(b)(4) of the Act are too stringent, and that relaxing the requirements would allow much stronger projects to be developed more quickly, with greater private participation, and less use of federal loan guarantees. The Corporation suggests that at the same time other changes to the Act are considered, Section 131(b)(4) be amended to read in its entirety as follows: "

"(4) The Corporation's first three general solicitations having satisfied the requirements of Section 126(a)(1) (A) and (B), if the Board of Directors makes a finding (A) that a particular type of synthetic fuel project is needed for the achievement of the national synthetic fuel production goal established under section 125 and the requirements of section 126(a) and (B) that the Corporation does not have such a project before it and the solicitation mechanism is not appropriate for obtaining such a project, the Board of Directors shall report such findings to the Committee on Energy and Natural Resources of the Senate and the Speaker of the House of Representatives and may then proceed to negotiate a contract of financial assistance for such project with a qualified concern."

Figure 2

TECHNOLOGY DEVELOPMENT PATH



DEVELOPMENT OF A COMPREHENSIVE STRATEGY

In 1984 the Corporation will focus on formulating a Comprehensive Strategy for the continued development of a commercial synthetic fuels industry in the United States. The Energy Security Act requires that the Corporation submit its recommendations to Congress for achieving the national synthetic fuels production capability goals and sets forth other specific requirements regarding issues to be addressed in the proposed Comprehensive Strategy.

The Board has directed the staff to collect information and present findings on a number of topics, including the Corporation's project experience to date, the feasibility of achieving the Act's production goals within various time and cost constraints, and a strategy for building production capability. In addition, approaches to meeting national defense fuel requirements with synthetic fuels, analysis of market-oriented financial incentives, a financial prospectus for any recommended program, and possible legislative recommendations will be examined.

The strategy will emphasize private sector involvement in a domestic synthetic fuels industry. Work now underway includes a review of energy price and cost factors associated with project development, analysis of findings concerning resource bases, associated technologies and environmental considerations, comparison and assessment of alternative forms of assistance and tax incentives, and the identification of the practical benefits provided by pioneer plants.

The Act envisions submission of the Comprehensive Strategy on June 30, 1984 but allows for an extension of up to one year to gather operating information about projects being assisted by the Corporation, and additional information about projects necessary to complete the Corporation's slate. The directors have discussed the possibility of requesting a delay in submission of the strategy.

ADMINISTRATION AND FINANCIAL STATUS

The Corporation's management practices are designed to achieve much of the operating flexibility associated with the private sector while maintaining the public accountability of an entity funded by tax dollars. Management systems are as streamlined as effective internal control of work and resources permit, thereby avoiding much of the red tape with which government agencies are normally burdened.

Designing greatly simplified management systems has enabled the Corporation to function with a small, but highly qualified staff. At the end of fiscal year 1983, 196 employees were on board, including 131 professionals and 65 support staff. The professional staff represent many disciplines and are drawn principally from the private sector.

By early 1983 the basic operating policies and procedures of the Corporation were in place, and attention turned to improving financial management, procurement, personnel, and management information practices. An earlier Board-approved basic policy on procurement was followed by the adoption of a concise procurement manual setting forth policies and implementing procedures. In addition, the Corporation instituted further accounting controls, and by year's end preparations were underway to automate certain accounting and contracting systems for increased management control, responsiveness, and productivity. Other targeted data system applications have been installed or are under development, principally in support of project and administrative activities.

In exercising the operating flexibility provided to it under the Energy Security Act, the Corporation examines the practices of both the public and private sectors. For example, the salary system incorporates individual job requirements and salary comparability for similar jobs in the public and private sectors. Individual salary adjustments are based on merit. Employee benefits are generally comparable to those found in the private sector, but far below the costs of those of the federal government.

The Corporation leases office space at 2121 K Street, N.W., Washington, D.C., and has a small field office in Denver, Colorado.

Peat, Marwick, Mitchell & Co.
Certified Public Accountants
1990 K Street, N.W.
Washington, D.C. 20006

The Board of Directors
United States Synthetic Fuels Corporation:

We have examined the statements of financial condition of United States Synthetic Fuels Corporation as of September 30, 1983 and 1982 and the related statements of operations, equity in net assets and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and the financial and compliance elements of the "Standards for Audits of Governmental Organizations, Programs, Activities and Functions" issued by the U.S. Comptroller General in 1981 and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of United States Synthetic Fuels Corporation at September 30, 1983 and 1982 and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat Marwick Mitchell & Co.

November 11, 1983

Table 1
Statements of Financial Condition
September 30, 1983 and 1982

Assets

	1983	1982
Deposit to U.S. Treasury (note 6)	$ 600,000	—
Cash in bank	6,999	10,362
Petty cash	1,250	1,168
Accounts receivable	12,295	3,774
Prepaid expenses	68,867	75,369
Employee expense advances	12,408	5,050
Deposits	7,300	6,525
Deferred charges (note 8)	614,251	27,096
Restricted cash (note 7)	525,723	525,723
Furniture and equipment, at cost, less accumulated depreciation of $228,132 in 1983 and $89,933 in 1982	529,972	576,604
Leasehold improvements, at cost, less accumulated amortization of $142,302 in 1983 and $61,712 in 1982	318,389	342,230
	$2,697,454	1,573,901

Liabilities and Equity in Net Assets

Liabilities:		
Outstanding checks not presented for payment (note 2)	346,428	62,723
Accounts payable	561,191	203,901
Accrued expenses (note 8)	1,208,496	802,139
Withheld taxes	100,649	93,634
Withheld savings plan contributions (note 5)	34,821	—
Withheld United Way contribution	554	—
Accrued pension liability (note 5)	44,703	464,732
Accrued savings plan liability (note 5)	17,767	—
Accrued annual leave	371,855	203,356
Total liabilities	2,686,464	1,830,485
Equity in net assets:		
Capital note (note 1)	33,199,575	17,632,893
Accumulated excess of expenses over revenue	(33,188,585)	(17,889,477)
	10,990	(256,584)
Commitments and contingencies (notes 4 and 9)	—	—
	$ 2,697,454	1,573,901

See accompanying notes to financial statements.

Table 2
Statements of Operations
Years ended September 30, 1983 and 1982

	1983	1982
Revenue:		
Financial assistance fee (note 6)	$ 600,000	—
Loan guarantee fee (note 7)	—	525,723
	600,000	525,723
Administrative expenses (note 3):		
Personnel costs	8,934,469	6,383,896
Contractual services	832,175	639,445
Office occupancy	2,458,442	1,867,468
Administrative services	982,171	1,110,535
Travel and relocation	906,205	630,506
Recruitment	83,854	263,525
Depreciation and amortization expense	222,597	133,292
Miscellaneous	68,600	36,020
	14,488,513	11,064,687
Inspector General	598,349	443,647
Total administrative expenses	15,086,862	11,508,334
Generic studies and specific reviews (note 3) — contractual services	812,246	206,055
Total expenses	15,899,108	11,714,389
Excess of expenses over revenue	$(15,299,108)	(11,188,666)

See accompanying notes to financial statements.

Table 3
Statements of Equity in Net Assets
Years ended September 30, 1983 and 1982

	Capital note	Accumulated excess of expenses over revenue	Total
Balance, September 30, 1981	$ 6,170,261	(6,700,811)	(530,550)
Draws on capital note	11,462,632	—	11,462,632
Excess of expenses over revenue	—	(11,188,666)	(11,188,666)
Balance, September 30, 1982	17,632,893	(17,889,477)	(256,584)
Draws on capital note	15,566,682	—	15,566,682
Excess of expenses over revenue	—	(15,299,108)	(15,299,108)
Balance, September 30, 1983	$33,199,575	(33,188,585)	10,990

See accompanying notes to financial statements.

Table 4
Statements of Changes in Financial Position
Years ended September 30, 1983 and 1982

	1983	1982
Funds used:		
Excess of expenses over revenue	$15,299,108	11,188,666
Add items not requiring funds:		
Depreciation and amortization	(230,313)	(133,292)
Gain on sale of equipment	5,935	—
Funds used in operations	15,074,730	11,055,374
Additions to furniture and equipment and leasehold improvements	165,032	949,546
Increase in:		
Deposit to Treasury	600,000	—
Cash in bank	—	10,362
Petty cash	82	518
Accounts receivable	8,521	3,774
Prepaid expenses	—	46,306
Employee expense advances	7,358	862
Restricted cash	—	525,723
Deposits	775	—
Deferred charges	587,155	27,096
Decrease in:		
Outstanding checks not presented for payment	—	109,026
Accrued pension liability	420,029	—
	$16,863,682	12,728,587
Funds provided:		
Draws on capital note	15,566,682	11,462,632
Proceeds from disposal of equipment	11,127	—
Increase in:		
Outstanding checks not presented for payment	283,705	—
Accounts payable	357,290	136,957
Accrued expenses	406,357	423,604
Withheld taxes	7,015	77,187
Withheld savings plan contributions	34,821	—
Withheld United Way contribution	554	—
Accrued pension liability	—	464,732
Accrued savings plan liability	17,767	—
Accrued annual leave	168,499	132,629
Decrease in:		
Cash in bank	3,363	—
Prepaid expenses	6,502	—
Deposits	—	30,846
	$16,863,682	12,728,587

See accompanying notes to financial statements.

Notes to Financial Statements September 30, 1983 and 1982

(1) The Corporation

The United States Synthetic Fuels Corporation (Corporation) was created on June 30, 1980 by the Energy Security Act (P.L. 96-294) as a Federal entity of limited duration for the purpose of providing financial assistance for the development of commercial synthetic fuel projects. The Corporation began operations on October 8, 1980.

On February 8, 1982, the President of the United States declared the Corporation "operational," an executive action required by law to permit the transfer of responsibility for two projects which had been approved and were being monitored by the Department of Energy, and the transfer of authority to obligate certain additional funds in the Energy Security Reserve.

Funds have been made available to the Corporation in the Energy Security Reserve Fund in the United States Treasury as follows:

Appropriations provided by the Supplemental Appropriations Act of 1980 (P.L. 96-304)	$ 12.21 billion
Appropriations transferred from Department of Energy—uncommitted at time of transfer	2.69 billion
Appropriations transferred from Department of Energy—committed at time of transfer:	
For Union Oil Company of California Project (see note 9)	0.40 billion
For The Oil Shale Corporation Project (see note 7)	1.23 billion
Total	$ 16.53 billion

The Corporation is subject to annual expenditure limits of $35,000,000 for administrative expenses including $2,000,000 for Inspector General operations. For each fiscal year commencing after September 30, 1980, these limitations shall be increased as of October 1 each year by an amount equal to the percentage increase in the Gross National Product implicit price deflator as published by the Department of Commerce. The Corporation is authorized to expend $10,000,000 per year for generic studies and specific reviews of individual proposals.

The Corporation draws funds by issuing a noninterest-bearing note payable to the United States Treasury, due September 30, 1997 or upon termination of the Corporation. For the fiscal years ended September 30, 1983 and 1982 the Corporation drew $14,754,436 and $11,256,577, respectively, for administrative expenses; and $812,246 and $206,055, respectively, for generic studies. Since inception, draws on the note totalled $32,176,474 for administrative expenses and $1,023,101 for generic studies. These amounts have been classified as a capital note in the accompanying financial statements. The obligations of the Corporation under this note will be transferred to the United States Treasury upon transfer of the Corporation's powers, duties, rights and obligations to the United States Treasury pursuant to Section 193(a) of the Energy Security Act or pursuant to any other provisions of applicable laws.

(2) Summary of Significant Accounting Policies

(a) Funding

Pursuant to a Memorandum of Understanding between the Corporation and the U.S. Treasury effective January 14, 1981, as amended and restated March 29, 1983, and a note issued by the Corporation to the Secretary of the U.S. Treasury dated January 23, 1981, the Treasury Department Fiscal Service has established and issued to NS&T Bank, N.A. a letter of credit in the amount of $50,000,000. Drawdowns against the letter of credit are made by the bank upon presentation of Corporation checks on a daily basis, obviating the need for the Corporation to maintain a cash balance and thus assuring that budget outlays of the Treasury Department are held to a minimum at any one time. The amount available under the letter of credit at September 30, 1983 and 1982 was $16,350,815 and $32,096,667, respectively.

(b) Furniture, Equipment and Leasehold Improvements

Furniture and equipment purchases and leasehold improvements are recorded at cost. Depreciation is provided on a straight-line basis over the useful life of the furniture and equipment, which is estimated at five to ten years. Amortization of leasehold improvements is provided over the remaining life of the lease.

(c) Income Taxes

The Corporation is exempt from Federal income taxes under Section 155 of the Energy Security Act.

(d) Reclassifications

Certain reclassifications of prior years' information have been made to conform with 1983 presentation.

(3) Expense Classification

The financial statements reflect administrative expenses, and generic studies and specific reviews. Inspector General expenses include all costs to operate the Office of the Inspector General.

(4) Commitments for Office Space

The Corporation leases its office space under a noncancelable operating lease which expires on April 30, 1987 with options to renew the lease for a total of eleven additional years. The lease requires future rental payments, excluding escalation provisions, as follows:

Fiscal year 1984	$1,927,400
Fiscal year 1985	1,927,400
Fiscal year 1986	1,927,400
Fiscal year 1987	1,124,317
	$6,906,517

Rent expense totalled $1,920,108 and $1,207,622 for the years ended September 30, 1983 and 1982, respectively.

(5) Retirement and Savings Plans

All permanent employees of the Corporation are covered by the noncontributory, defined contribution United States Synthetic Fuels Corporation Retirement Plan. The plan was approved by the Board of Directors on June 17, 1982. Retirement

expense totalled $459,198 and $464,732 for the years ended September 30, 1983 and 1982, respectively. The Corporation makes monthly contributions to the plan based on the amounts accrued for retirement expense. Retirement expense is calculated as a fixed percentage of employee regular compensation.

The Board of Directors also approved the United States Synthetic Fuels Corporation Savings Plan on June 17, 1982. Participation in the plan is voluntary and all permanent employees are eligible to join. Employee contributions are limited to a maximum of 6% of regular compensation. The Corporation contributed amounts equal to 100% of participant contributions, based on individual participants' service prior to October 16, 1982 and thereafter equal to 50% of participant contributions. The Corporation's liability for contributions under the plan began October 16, 1982, and $282,737 was recorded as savings plan expense for the year ended September 30, 1983.

(6) Deposit to Treasury

On July 28, 1983, a financial assistance fee of $600,000 was deposited into the Corporation's account at the U.S. Treasury by the sponsors of the Cool Water Coal Gasification Program (note 9). Under the terms of the Energy Security Act, this fee may be applied against the administrative expenses of the Corporation.

(7) Restricted Cash

The restricted cash is a guarantee fee which was transferred from the Department of Energy to the Energy Security Reserve Fund in the U.S. Treasury. The fee transferred related to the loan guarantee for The Oil Shale Corporation's synthetic fuel project. This project was halted in May 1982, and the loan guarantee was terminated. The then outstanding loans were repaid by The Oil Shale Corporation in June 1982. The Corporation is currently examining the limitations on its authority to utilize the guarantee fee and the transferred obligational authority.

(8) Cost Sharing Agreement

During the 1983 fiscal year, the Corporation entered into a cost-sharing agreement under Section 131(u) of the Energy Security Act with Peat Methanol Associates, North Carolina Synfuels Corporation, Transco Peat Methanol Company, Koppers Company, Inc. and Transco Energy Company, sponsors of the First Colony Project. The Corporation agreed to share in the cost of refining the design of the Project so as to improve the accuracy of the estimate of total Project costs upon which financial assistance will be based in the event of an award of such assistance. The maximum obligation of the Corporation under the agreement is $820,750. The work is essentially complete and the estimated liability of the Corporation is not expected to exceed $597,900, which amount is included in accrued expenses and in deferred charges at September 30, 1983. In the event that subsequent financial assistance in the form of a loan guarantee is awarded, this amount will be repaid to the Corporation from the related loan proceeds. If financial assistance is not awarded to the project, then the entire amount will be recognized as a current expense in the period a decision is made.

(9) Contingencies

At September 30, 1983 the Corporation was contingently liable in connection with financial assistance for two synthetic fuels projects as follows:

Project	Form of Financial Assistance	Maximum Contingent Liability
Union Oil Company of California	*Purchase and price differential* Subject to the terms of the July 29, 1981 agreement, the Corporation is committed to guarantee the price of up to 20 million barrels of refined aviation and diesel fuel. Aggregate price differential payments by the Corporation will not exceed the maximum contingent liability.	$0.40 billion
Cool Water Coal Gasification Project	*Price guarantee* Subject to the terms of the July 28, 1983 agreement, the Corporation is committed to guarantee the price of up to 20 trillion BTUs of synthetic gas. Aggregate price guarantee payments by the Corporation will not exceed the maximum contingent liability.	0.12 billion
	Total	$0.52 billion

SUMMARY OF RECEIPTS
Fiscal Year 1983

The following is a summary of the Corporation's receipts for fiscal year 1983 as reported on a quarterly basis to the Secretary of the Treasury. It is included in this Report pursuant to Section 154(d) of the Energy Security Act. Substantially all of the Corporation's receipts during fiscal year 1983 were draws on the U.S. Treasury.

Draws on the U.S. Treasury (Gross)	$15,745,852
Other refunds and reimbursements	179,170
Financial Assistance Fee	600,000
	$16,525,022

Compensation of Persons Employed or Under Contract
At Salary Rates Exceeding $2,500 Per Month
September 30, 1983

Title	Annual Salary
Chairman	
Executive Vice President	$85,000
Chairman of the Board/CEO	69,630
Director-Secretariat	55,120
Director-Industry Relations	44,277
Policy Analyst/Speechwriter	43,200
Executive Assistant to the Chairman of the Board	42,500
Administration	
Vice President-Administration and Treasurer	72,000
Director-Personnel	67,035
Director-Management Systems	58,000
Comptroller	55,000
Director-Contracts	51,750
Manager-Budget	50,000
Manager-Compensation & Benefits	49,500
Manager-Employment	43,505
Director-Administrative Services	43,493
Senior Management Analyst	41,000
Manager-Accounting	39,450
Director-Public Disclosure	39,003
Manager-Data Processing	37,000
Contracts Administrator	35,000
Contracts Administrator	34,335
External Relations	
Vice President-External Relations	72,000
Director-Senate Relations	55,112
Director-House Relations	52,980
Director-State and Local Gov't. Relations	52,500
Director-Media Relations	38,852
Finance	
Vice President-Finance	85,000
Director-Finance (Analytic)	76,912
Director-Finance (Administration)	68,500
Manager-Project Finance	65,000
Senior Financial Analyst	54,495
Senior Financial Analyst	51,000
Senior Financial Analyst	45,030
Financial Analyst	35,000
Inspector General	
Inspector General	74,000
Deputy Inspector General	71,000
Chief-Program Analysis	56,750
Director-Inspections and Investigations	56,750
Director-Audit	51,000
Senior Operations Analyst	49,920
Manager-Project Audits	49,000
I. G. Field Representative	37,000

Title	Annual Salary
Legal Services	
Vice President and General Counsel/Secretary	$76,000
Deputy General Counsel	75,000
Assistant General Counsel-Projects	71,000
Special Project Counsel	69,929
Assistant General Counsel-Corp. and Litigation	69,630
Senior Attorney-Ethics and Legislation	65,000
Special Project Counsel	65,000
Senior Attorney-General	57,500
Senior Attorney-Corporate and Litigation	52,500
Policy Development	
Vice President-Policy Development	75,000
Former Vice President (on medical disability)	65,000
Director-Strategic Planning	63,000
RCS Manager	62,000
Director-Planning Services	55,600
Director-Analytical Studies	55,600
RCS Manager	55,000
RCS Manager	53,760
Principal Analyst/Manager	53,000
Manager-Policy Communications	52,275
Manager-Strategic Analysis	50,400
RCS Manager	48,160
Senior Environmental and Health Analyst	47,500
Senior Analyst	47,000
Senior Analyst	45,000
Principal Analyst/Manager	45,000
Senior Water Resources Engineer	42,000
RCS Editor	36,500
Staff Analyst	35,000
Projects	
Senior Vice President-Projects	76,500
Vice President-Projects	74,000
Project Officer II	67,957
Project Officer II	67,725
Project Officer II	66,000
Project Officer II	64,350
Project Officer II	62,248
Project Officer II	62,150
Director-Project Cost Analysis	57,439
Project Officer II	57,200
Project Officer II	55,000
Project Officer I	51,300
Senior Cost Analyst	48,600
Project Officer I	46,679
Senior Cost Analyst	46,000
Project Officer I	45,875
Senior Project Analyst	45,780
Project Officer I	45,623
Cost Analyst	40,280

Projects (continued)

Title	Annual Salary
Senior Project Accountant	$37,962
Manager-Technical Services	35,908
Quality Control Coordinator	32,660
Manager-Research Services	31,068
Technology and Engineering	
VP-Technology & Engineering	108,000
Senior Engineer	65,400
Technology Advisor	65,270
Manager-Technology & Engineering	65,000
Senior Engineer	62,100
Director-Environment	$59,950
Senior Engineer	59,568
Senior Engineer	57,908
Senior Engineer	57,750
Senior Engineer	56,160
Senior Engineer	56,100
Senior Engineer	52,800
Senior Socioeconomic Analyst	46,325
Senior Regulatory Analyst	44,800
Senior Environmental and Health Analyst	40,000
Environmental and Health Analyst	36,500

Individuals Under Contract
(As of 9/30/83)*

Name	Per Diem
Appleman, Jack M.	$400
Cochran, Neal	400
Conn, Arthur L.	500
Groelinger, James	300
Hoffman, Lawrence	400
Lind, Dr. Robert	500
Malkin, Dr. Myron	800
Mates, Michael A.	500
Rapoport, Leo A.	400
Reichl, Eric	500
Rohrer, Michael	360
Silbernagel, Dale R.	250
Swift, Mark A.	400

Name	Hourly Rate
Abbadessa, John	$ 37.50
Dobbins, William H.	37.00
Martin, Thomas S.	130.00

*With ". . . Salary rate exceeding $2,500 per month. . " which is interpreted as $150 per day or more, or hourly rates of $18.75 or more.

PROJECT SOLICITATION HISTORY

PROJECT[1]	SPONSORS[2]	SOLICITATION APPLICATIONS[3]
COAL LIQUEFACTION		
ACTIVE PROJECTS		
NORTH ALABAMA Murphy Hill, AL 15,620 BPD methanol (7,341 BOED)	North Alabama Coal Gasification Consortium: Air Products & Chemicals, Inc.; Houston Natural Gas Corp.; Raymond International, Inc.	I, II, III
INACTIVE PROJECTS		
ALABAMA SYNTHETIC FUELS Greene County, AL	Amtar, Inc.; Applied Energetics	II
BELUGA Granite Point, AK	Cook Inlet Region, Inc.; Placer Amex, Inc.	I, II, III
BRECKINRIDGE Breckinridge County, KY	Ashland Oil Co.; Bechtel Petroleum, Inc.	I, III
CLARK St. Clair County, IL	Clark Oil and Refining Co.	I
COAL FUEL CONVERSION Trinidad, CO	Coal Fuel Conversion Co.; Timberline Fuels, Inc.	I
CONVENT Convent, LA	Houston Natural Gas Corp.	I
EMERY Emery County, UT	Emery Synfuel Associates: Conoco Coal Development Co.; Mono Power (subsidiary of Southern California Edison); Mountain Fuel Resources, Inc.	I
GRACE-BASKETT Henderson, KY	W. R. Grace & Co.	I, III
GRANTS Grants, NM	Clark Oil and Refining Co.; Energy Transition Corp.; Koppers Co., Inc.; Pauley Petroleum	I
HAMPSHIRE Gillette, WY	Kaneb Services, Inc.; Koppers Co., Inc.; Northwestern Mutual Life Insurance Co.; Metropolitan Life Insurance Co.; Standard Oil Co. of Ohio	I, III
MAPCO White County, IL	MAPCO, Inc.	I, II, III
MONTEX Kern County, CA	Montex International, Inc.	I, II, III
OHIO I COAL CONVERSION Monroe County, OH	Gene Sands Mining Corp.; Wentworth Bros., Inc.	III, CC
OHIO VALLEY Mason County, WV	Consolidated Natural Gas System; Standard Oil Co. of Ohio	I
SCRUBGRASS Near Lisbon, Venango County, PA	Pennsylvania Fuels Group; Davy McKee Corp.; GKT/Krupp; Lyden Oil Co., Inc.; Union Carbide Corp. (Linde Division); Jervis Webb Co.; Pyrofax, Inc.; Struthers Wells Corp.; UOP, Inc. (subsidiary of The Signal Cos., Inc.). Funding is being organized by The Mellon Bank for Phase I and by Prudential-Bache Securities for Phase II.	I, II, III, CC
TRISMEGISTUS Chesterfield County, VA	United Service Coal Gasification Co.	I
TSA Oak Ridge, TN	Tennessee Synfuels Associates: Koppers Co., Inc. and Cities Service Co.	I, II, III

[1] Production goals are included for projects currently before the SFC (listed in bold face type). All numbers listed are BPSD (barrels per stream day).

[2] For most inactive projects, all sponsors that have been involved are listed. For active and recently active projects, the latest sponsor slate is listed.

[3] I = Initial; II = Second; III = Third; CS = Competitive Western Shale; CL = Competitive Gulf Coast Lignite; CC = Competitive Eastern and Midwestern Bituminous Coal.

30

PROJECT[1]	SPONSORS[2]	SOLICITATION APPLICATIONS[3]
WHITETHORNE Montgomery County, VA	Hercules, Inc.; Norfolk and Western Railway Co.; United Coal Co.	I
COAL GASIFICATION		
ACTIVE PROJECTS		
ARKANSAS LIGNITE CONVERSION Hampton, AR 66.2 billion Btu/day medium-Btu gas (11,400 BOED)	Arkansas Power & Light Co. (subsidiary of Middle South Utilities); Dow Chemical Co.; International Paper Co.	CL
BYRNE CREEK POWER Evanston, WY 1,422 BOED fuel gas (to produce 25 MW electric power) and 150 BOED light oil (1,572 BOED total)	Laramie Resources Partnership: World Energy, Inc. and Extractive Fuels, Inc.	I, II, III
COGA-1 Southern Illinois 1,100,000 tons per year anhydrous ammonia (13,750 BOED)	Coal Gasification, Inc.; Dean-Witter Reynolds; CBI Industries	CC
COOL WATER Daggett, CA 4,300 BOED of synthetic gas to produce 106 MW of electric power	Bechtel Power Corp.; ESEERCO; General Electric Co.; JCWP (Japanese Consortium); Southern California Edison Co.; Texaco, Inc.; EPRI	I, II (AWARD)
DOW SYNGAS Plaquemine, LA 30 billion Btu/Day medium-Btu gas (5,172 BOED)	Dow Chemical Co.	III
GREAT PLAINS Beulah, ND 125 MMSCFD SNG (21,000 BOED)	ANR Gasification Properties Co. (subsidiary of American Natural Resources); MCN Coal Gasification Co.; Pacific Synthetic Fuel Co. (subsidiary of Pacific Lighting Corp.); Tenneco SNG, Inc.; Transco Coal Gas Co.	I (AWARD FROM DOE)
LOUISIANA SYNTHETIC FUELS Plaquemine, LA 58 billion Btu/day medium-Btu gas (10,000 BOED)	Slagging Gasification Consortium: Babcock Woodall-Duckham, Ltd.; BOC Group (parent of Airco, Inc.); British Gas Corp.	CC
MEMPHIS Memphis, TN 45 billion Btu/day medium- Btu gas and 5 billion Btu/day SNG (8,621 BOED total)	Memphis Synfuels Partnership, consisting of Foster Wheeler Energy Corp., Houston Natural Gas Corp., Cives Corp., Ingersoll-Rand Co., CBI Industries, Inc., and Great Lakes International, Inc., as general partners, Institute of Gas Technology, City of Memphis (Light, Gas, and Water Division) and a major air plant vendor yet to be identified, as limited partners.	I, II, III
SHARON STEEL Farrell, PA 280 MMSCFD medium-Btu gas (10,000 BOED)	Kloeckner Kohlegas GmBH; Pennsylvania Engineering Corp.; Sharon Steel Corp.; DWG Corp.	CC
INACTIVE PROJECTS		
BILLINGS Forest City, IA	Billings Energy Corp.	I
BOSTON EDISON Everett, MA	Bechtel Petroleum, Inc.	CC
CAN-DO Hazle Township, PA	Greater Hazleton Community Area Development Organization Inc.	III
CENTRAL ARKANSAS Redfield, AR	Arkansas Power and Light Co.	I
CHOKECHERRY Moffat County, CO	Energy Transition Corp.; W. R. Grace and Co.	I, II

PROJECT[1]	SPONSORS[2]	SOLICITATION APPLICATIONS[3]
CROW TRIBE Crow Reservation, MT	Crow Indian Tribe; Pacific Coal Gasification Co.	I
DAVIS SYNTHINE Hornell, NY	Davis Synthine Fuels & Coal Corp.	CC
FAIRMONT Fairmont, WV	Westinghouse Electric Corp.	I
FARMLAND INDUSTRIES (Undetermined Site)	Farmland Industries, Inc.	CC
GULF STATES Calcasieu County, LA	Westinghouse Electric Corp.	I
IRON CITY Ironton, OH	Airco, Inc.; Iron City Fuels, Inc.	III
KEYSTONE Somerset County, PA	Westinghouse Electric Corp. (others to be identified)	I, II, III
KILNGAS East Alton, IL	Allis-Chalmers Corp.	III
LOUISIANA GAS Lake Charles, LA	Louisiana Gasification Associates: Bechtel Petroleum, Inc.; Conoco, Inc.; PPG Industries, Inc.; United Energy Resources, Inc.	I
NATIONAL SYNFUELS (Unspecified Site)	National Synfuels, Inc.	III
NEW ENGLAND ENERGY PARK Fall River, MA	Bechtel Power Corp.; Brooklyn Union Gas Co.; Eastern Gas and Fuel Associates; EG&G, Inc.; Westinghouse Electric Corp.	I, II, III
NICES Boardman, OR	Northwest Pipeline Co.	I
RIVERSIDE Philadelphia, PA	Philadelphia Gas Works (non-equity); United Engineers and Constructors, Inc.	II
SAN ARDO Monterey County, CA	Pacific Gas and Electric Co.; Texaco, Inc.	I
TENNECO Wibaux County, MT	Tenneco Coal Gasification Co.	I
THUNDERBIRD II Johnson & Campbell Counties, WY	Wold-Jenkins, Inc.	II, III
TRANSCO Franklin, TX	Transco Energy Co.	I
VERDIGRIS Verdigris, OK	Agrico Chemical Co. (subsidiary of the Williams Cos.)	CC
WYCOAL Converse County, WY	Pacific Gas and Electric Co.; Panhandle Eastern Pipeline Co.; Ruhrgas Carbon Conversion, Inc.	I
COAL-OIL MIXTURES		
INACTIVE PROJECTS		
BANKLICK Jacksonville, FL	Banklick Corp.; R. C. Durr Co., Inc.	I
COALIQUID Shelbyville, KY	CoaLiquid Inc. (subsidiary of McDonnell Douglas)	I, II
PHECOM Miles City, MT	Pacific Hydrocarbon Energy Co.	I

32

PROJECT[1]	SPONSORS[2]	SOLICITATION APPLICATIONS[3]
OIL SHALE		
ACTIVE PROJECTS		
CATHEDRAL BLUFFS Rio Blanco County, CO 14,100 BPD hydrotreated shale oil	Occidental Oil Shale, Inc.; Tenneco Shale Oil Co.	I, II, CS
MEANS OIL SHALE Montgomery County, KY 13,690 BPD upgraded shale oil plus 23 MW electricity (14,367 BOED total)	Central Pacific Minerals, N. L.; Dravo Corp.; Southern Pacific Petroleum, N. L.	III
PARACHUTE CREEK PHASE I Parachute, CO 10,400 BPD hydrotreated shale oil	Union Oil Co. of California	I (AWARD FROM DOE)
PARACHUTE CREEK PHASE II Parachute, CO 42,152 BPD hydrotreated shale oil	Union Oil Co. of California	III, CS
PARAHO-UTE Uintah County, UT 14,105 BPD hydrotreated shale oil plus 8 MW of electric power (14,436 BOED total)	Paraho Development Corp.; Raymond International Corp., Signal Cos., Inc.; Standard Oil Co. of Ohio; Texas Eastern Corp.	I, II, III
SEEP RIDGE Uintah County, UT 1,000 BPD shale oil	Geokinetics, Inc. (plus 7 limited partners)	III
WHITE RIVER Uintah County, UT 16,500 BPD hydrotreated shale oil	Phillips Petroleum Corp.; Standard Oil Co. of Ohio; Sunoco Energy Development Corp.	I, III, CS
INACTIVE PROJECTS		
AGENCY DRAW Agency Draw, UT	Geokinetics, Inc.	II
AMERICAN SYN-CRUDE Moorehead, KY	American Syn-Crude Corp.	II, III
COLONY Garfield County, CO	Exxon Corp.; Tosco (The Oil Shale Co.)	I (AWARD FROM DOE)
COTTONWOOD WASH Uintah County, UT	American Mine Services Corp.; Deseret Generation & Transmission Corp.; Foster Wheeler Energy Corp.; Magic Circle Energy Corp.	I, II, III
EDWARDS ENGINEERING (Undetermined Site)	Edwards Engineering Corp.	III, CS
MONTEX OIL SHALE (Undetermined Site)	Montex International, Inc.	CS
MULTI-MINERAL Rio Blanco County, CO	Charter Oil Co.	I
PACIFIC Garfield County, CO	Cleveland Cliffs Iron Co.; Standard Oil Co. of Ohio; Superior Oil Co.	I, II, III
PARACHUTE Garfield County, CO	Mobil Oil Co.	I
PLATEAU Duchesne County, UT	Suburban Propane Gas Corp.	I
RIO BLANCO Rio Blanco County, CO	Gulf Oil Corp.; Standard Oil Co. of Indiana	I

PROJECT[1]	SPONSORS[2]	SOLICITATION APPLICATIONS[3]
SHALE DEVELOPMENT Uintah County, UT	Shale Development Corp.	I
SHALEGLASS Grand Junction, CO	Nielson Resources Corp.; Sorg Engineering	I
SILMON SMITH Garfield County, CO	Shale Energy Corp. of America	II, III
SYNTANA-UTAH Uintah County, UT	Magic Circle Energy Corp.; Quintana Mineral Corp.; Synthetic Oil Corp.	I, CS
U.S. SHALE OIL Clay County, TN	U.S. Shale Oil, Inc.	I, III
WOLF DEN Vernal, UT	Geokinetics, Inc.	II, III
TAR SANDS/HEAVY OIL		
ACTIVE PROJECTS		
CALSYN West Pittsburg, CA 6,050 BOED distillate fuel oil, fuel gas and naphtha	Alberta Oil Sands Technology & Research Authority; California Synfuels Research Corp.; Dynalectron Corp.; Tenneco, Inc.; Ralph M. Parsons Co.	I, II
CHAPARROSA RANCH Zavala County, TX 5,000 BPD bitumen (5,350 BOED)	Chaparrosa Oil Co.	III
FOREST HILL Wood County, TX 1,750 average BPD heavy oil (1,870 BOED)	Greenwich Oil Corp.	III
HOP KERN RIVER Kern County, CA 3,635 average BPD heavy oil (3,938 BOED)	Ladd Petroleum Corp.	I, II
KENTUCKY TAR SAND Logan County, KY 5,000 BPD heavy crude oil (5,600 BOED)	Texas Gas Development Corp.	II, III
SUNNYSIDE Carbon County, UT 10,000 BPD syncrude	GNC Energy Corp.; Standard Oil Co. of California	I, II, III
INACTIVE PROJECTS		
AARIAN Asphalt Ridge, UT	Aarian Development Corp.	I
BELLEVUE Shreveport, LA	Calvin Billings Co.	I
BIG HORN Grand County, UT	Big Horn Oil, Inc.	III
CALIFORNIA TAR SANDS DEVELOPMENT Kern County, CA	California Tar Sands Development Corp.; Energy Production & Sales Co.	II, III
C & A Grand County, UT	C & A Cos.; Mineral Research, Ltd.	I, II
CHETOPA Labette, KS	EOR Petroleum Co.	I

34

PROJECT[1]	SPONSORS[2]	SOLICITATION APPLICATIONS[3]
ENPEX SYNTARO Maverick County, TX	C. E. Lummus; Chaparrosa Oil Corp*; ENPEX Corp.; Getty Oil Co.; Pickens Energy; Ray M. Southworth; Superior Oil Co.; Tesoro Petroleum; Whittier Interests	II, III
FALCON SCIENCES Butler County, KY	Falcon Sciences, Inc.	III
INTERNATIONAL HYDROCARBONS Grand County, UT	International Hydrocarbons, Inc.	I, II, III
KENSYNTAR Edmonson County, KY	Kensyntar: a joint venture of Pittston Co.; KSA Resources; Ward Douglas Co.	I, II, III
PORTA-PLANTS Roosevelt, UT	Porta-Plants, Inc.	III
RIO VERDE Edmonson County, KY	Rio Verde Corp.	I
SANTA ROSA Santa Rosa, NM	Solv-Ex Corp.; Foster Wheeler Energy Corp.	II
VACA Camarillo, CA	Santa Fe Industries	I
WHITEROCKS OIL SANDS Uintah County, UT	Enercor, Inc.; Hingeline-Overthrust Oil & Gas, Inc.; Rocky Mountain Exploration Co.	III
PEAT		
ACTIVE PROJECTS		
FIRST COLONY Creswell, NC 4,600 BPD methanol (2,158 BOED)	Peat Methanol Associates: ETCO Methanol, Inc.; North Carolina Synfuels Corp. (a subsidiary of Koppers Co., Inc.); J. B. Sunderland Corp.; Transco Peat Methanol Co.	I, II
NORTHERN PEAT ENERGY Milford, ME 889 tons per day peat-derived solid fuel (3,065 BOED)	Signal Cleanfuels, Inc.	III
HYDROGEN		
INACTIVE PROJECTS		
CONSUMERS SOLAR Yuma County, AZ	Consumers Solar Electric Power Corp.	I
FUSION GAS Hampshire, IL	Energy Alternative II; Fusion Energies Corp.	I
OTHER		
INACTIVE PROJECTS		
LIGNITE FUELS Berkshire, NY	Tioga Energy Systems	III
PURGED CARBONS (Undetermined Site in Pennsylvania)	Integrated Carbons, Inc.	II, III
SESCO Ashtabula, OH	Solid Energy Systems Corp.	I, II, III
SUPER FUEL SYSTEMS (Undetermined Site)	Super Fuel Systems, Inc.	III

*Withdrew from the project following its elimination from the Second Solicitation and submitted its own proposal to the Third Solicitation.

35

SFC Project Solicitation Schedule

	2nd GENERAL SOLICITATION	3rd GENERAL SOLICITATION	DIRECT NEGOTIATIONS/ GULF COAST LIGNITE	EASTERN/ MIDWESTERN BITUMINOUS COAL	COAL-WATER MIXTURE SOLICITATION	GENERAL COAL GASIFICATION SOLICITATION	RETROFIT SOLICITATION	4th GENERAL SOLICITATION
1983 DEC				Submission of Qualification Proposals		Tentative Issuance of Solicitation		
1984 JAN 5				Identification of Qualified Bidders	Formal Issuance of Solicitation	Formal Issuance of Solicitation	Tentative Issuance of Solicitation	Tentative Issuance of Solicitation
FEB 2/16	Term Sheets Deadline					Submission of Proposals/Identification of Qualified Proposals	Formal Issuance of Solicitation	Formal Issuance of Solicitation
MAR				Submission of Technical Proposal and Competitive Bid				
APR		Term Sheets Deadline		Selection of Winning Bidder		Term Sheets Deadline	Submission of Qualification Proposals	Submission of Qualification Proposals
MAY			End of Negotiations Contract Awards Deadline					
JUN	Contract Awards Deadline			Negotiation of Financial Assistance Agreement	Submission of Qualification Proposals		Identification of Qualified Proposals (June 21)	
JUL		Contract Awards Deadline			Identification of Qualified Proposals			Identification of Qualified Proposals
AUG				Contract Awards Deadline		Contract Awards Deadline	Term Sheets Deadline (August 15)	
SEP					Full Capital Commitment			Term Sheets Deadline
OCT							Contract Awards Deadline (October 18)	
NOV								Contract Awards Deadline
DEC					Term Sheets Deadline			
1985 1st QTR					Contract Awards Deadline			

USSFC—1/5/84

CORPORATE OFFICERS

December 31, 1983

Edward E. Noble
Chairman and Chief Executive Officer

Leonard C. Axelrod
Group Vice President-Operations
Vice President-Technology and Engineering

Edward S. Miller
Senior Vice President and Chairman of the Finance Committee

Charles A. Cowan, Jr.
Senior Vice President-Projects

Ralph L. Bayrer
Vice President-Projects

James S. Cross
Vice President-Policy Development

Dwight A. Ink
Vice President-Administration

Jeffrey A. Lipkin
Secretary, Vice President and General Counsel

E. Hodson Thornber
Vice President-Finance
Treasurer

Samuel Kenric Lessey, Jr.
Inspector General

Robert W. Gambino
Deputy Inspector General

The CHAIRMAN. Thank you very much, Mr. Noble. Your entire prepared statement with attachments will be placed in the record in full.

Questions have arisen with regard to two of your Board members, Mr. Wilkins and Mr. Masson. Both of these individuals are reportedly involved in the Reagan/Bush reelection effort.

Does the SFC have a policy regarding political fundraising by its Directors and staff, and if so, what is that policy?

Mr. NOBLE. First of all, Mr. Wilkins and Mr. Masson are involved to a degree in the political activities of 1984. We have a very definite policy as far as any conflicts are concerned.

I want to say first that we do not prohibit all private political activity, but we do have a very definite standard of conduct policy which applies to every Director, and I can say to you that we have talked not only to Mr. Wilkins and Mr. Masson but every Director, and I am totally confident from their statements that they have not been involved in any matter which has been a conflict of interest at this time.

We do, as I say, have a very strict conflict policy. It follows very much the same policy that governs other agencies.

Also, I have Mr. Owen Malone, who is our Ethics Officer, is here if you wish to ask him any questions, but I feel assured that there has been no violation by any Director, not only Messrs. Masson and Wilkins, but every Director, that is, that there has been no conflict involving any of our project sponsors.

The CHAIRMAN. Mr. Noble, you mentioned that Mr. Malone is here.

Have these questions with respect to their political activities been submitted to, and in effect cleared by, Mr. Malone?

Mr. NOBLE. Yes, sir, and I would be happy for him to comment on that.

The CHAIRMAN. Mr. Malone, I specifically ask that question because Mr. Malone is well known to this committee and I think his views would be valuable to us.

Mr. MALONE. Thank you, Mr. Chairman. For the record, I am Owen Malone. I serve as Ethics Officer, among other things, of the Synthetic Fuels Corporation.

As the Chairman has stated, Senator, the Corporation has a firm policy against any political solicitation, any political fundraising, or the solicitation of political support from any concern having business with the Corporation.

Now at this juncture we are, of course, aware of Mr. Wilkins' appointment I believe as a regional chairman within the campaign, the President's reelection campaign.

We are also aware, although I don't have the details on it, of Mr. Masson's appointment as a campaign coordinator in the Southwest at some point.

Aside from that, we have no information concerning the details of those jobs, but I have canvassed or I have polled each member of the Board of Directors save one. I haven't been able to reach Mr. Carter, and have been assured that there has been no political solicitations, no fundraising involving any participating organization, namely, any organization with business before the Corporation.

Beyond that, I don't have any details that I can refer to this morning. I would say this, that under the basic structure of the Energy Security Act, of course, political activity is not forbidden to Corporation employees.

However, as the Chairman indicated, the policy of the Corporation expressly adopts the same ethical standards of conduct that apply throughout the Government.

We also have an express policy against the solicitation of gifts which is again closely similar to that which applies in the Government. Any solicitation by a Director, an officer, or an employee of the Corporation of a political contribution or any other kind of contribution from a firm doing business with the Corporation is expressly prohibited.

In addition, our policy calls the attention of all our employees, our officers, and Directors to a number of provisions of the criminal code of general application that deal with prohibited political activity. Probably the most significant one of these is 18 U.S.C. 600, under which it is a Federal offense for anyone to offer a benefit, or to offer or to promise to be helpful in obtaining a benefit, under any program funded by an act of Congress in return for political activity of support. We have gone, I think, quite a distance in alerting our people to the hazards that can exist when political activities intrude on the official duties of the Corporation.

Senator METZENBAUM. What if it isn't solicitation but they are running a fundraiser, and just by coincidence some of the people involved in these corporations who were benefiting from the SFC relationship buy a table? Is that a violation of the ethics?

Mr. MALONE. Senator, I kind of like to deal with specific cases and specific facts. I would have to know what involvement one of our Directors, officers or employees had in that.

Senator METZENBAUM. One of your Directors who is the regional director of the Reagan/Bush campaign in a particular area is putting on a big fundraiser. Tables are going for $10,000 or $20,000 apiece. He doesn't directly solicit anybody, but the people who are the beneficiaries of doing business with your Corporation buy tables.

Is that a violation?

Mr. MALONE. I have to answer that this way, Senator. It is my understanding that Mr. Wilkins has had no participation in arranging any such affairs.

Senator METZENBAUM. I didn't ask that question. I didn't ask about Mr. Wilkins. I just asked whether you would consider that a violation?

Mr. MALONE. I would think if Mr. Wilkins or any other Director or officer of the Corporation were directly involved and participated in arranging for such a dinner, and the invitations involved and so forth, I would have a problem under our policy.

Senator METZENBAUM. My question is, Does there have to be a solicitation or can the donor just come forward voluntarily? You keep using the word "solicitation." My question is not solicitation, but they know there is a dinner being put on or they know there is fundraising going on and they come forward and contribute.

Mr. MALONE. There must be a solicitation.

Senator METZENBAUM. There must be a solicitation?

Mr. MALONE. There must be an action by one of the Corporation's people.

The CHAIRMAN. I suspect that if we disqualified from political participation anybody who has contacts with the Government we would greatly narrow the base of political activity.

Mr. NOBLE. Might I add just as further comment to that? In talking with Mr. Wilkins, he tells me that his job is basically, is totally administrative; that his name does not appear on any letterhead in any way connected with fundraising, that he is really dealing with other campaign people but only on an administrative level at this juncture, and has no other contact with contributors whatsoever.

The CHAIRMAN. Let me ask one other question, and then I will surrender my time to others.

Could you bring us up to date on the status of filling Board and senior staff vacancies?

Mr. NOBLE. Yes, sir. We have two vacancies, actually three vacancies at this point. We have a Vice President of External Affairs and a Corporate Vice President—Group Vice President, Corporate. For both those positions I will be recommending people to the Board at their meeting next Thursday.

The President position is vacant at this time. I hope to have a recommendation in the not too distant future. We did offer that to one person a few weeks ago and because of the possible conflicts that he had, and also the possibility of a short tenure, it was turned down, but I do expect to have somebody to nominate for that in the next few weeks.

The CHAIRMAN. Thank you, Mr. Noble. Senator Warner has indicated that he has to leave to chair a Rules Committee hearing and has asked to be recognized for a couple of minutes.

Senator WARNER. Just for a few minutes.

The CHAIRMAN. I do so at this time.

Senator WARNER. I know nothing about the details of this political problem, but you are aware of the fact that the Congress is looking at the deficit situation and continues to see your allocation in funds there as a sweet plum item and the last thing we need is any political problems. I want to see your Corporation have an opportunity to deliver.

Mr. NOBLE. Senator, I can assure you we are trying.

Senator WARNER. You have made that clear.

Mr. NOBLE. Clean as a hound's tooth—a country expression.

Senator WARNER. Proceeding now to the Nation's national energy policy, despite the declining prices in petroleum, particularly since the creation of your Corporation, do you see any diminution in this administration's move toward energy independence?

Mr. NOBLE. No, sir, I do not.

Senator WARNER. We are still on that course?

Mr. NOBLE. I think we are on the course of energy independence, yes, sir.

Senator WARNER. And you have represented today that in your statement, which I have not had the opportunity to examine in detail, there is a definite shift to putting coal more on the forefront?

Mr. NOBLE. Very much so; 1984 is the year that we intend to concentrate on coal. Coal is more difficult. It is more complex. It is a

little more expensive, but we have worked very long and hard to get the projects that we have, and as I have said, this plan business sets out these plans and I think that we will have some progress in the coal area very definitely.

Senator WARNER. You recognize that although the unemployment situation is improving, there are enormous pockets of unemployment in the coalfields and we have got to provide some hope and inspiration for that or that interest is just going to disappear.

Mr. NOBLE. I am very cognizant of that.

Senator WARNER. Just one particular item, and my staff has been working with yours. My Subcommittee on Energy has held a series of hearings on the possibility of having some of the rail locomotives in the future utilized as coal for fuel. We have a $4 billion annual fuel bill for diesel locomotives alone, and Morgantown Research Center and other Federal facilities together with the private sector are working rapidly towards possible conversion of some of these locomotives in the future.

Two major rail systems—CSX, Norfolk Southern—have already begun to put their money on the line for developmental projects, and it is my understanding that your staff will look at those proposals in the context of possible support from your Corporation.

Is that right?

Mr. NOBLE. Yes, sir. We have a coal-water mixture solicitation in which we anticipate at least two awards, one in the industrial area and one in the utility area. I haven't looked at what you are saying in specifics, but I would like to respond to that for the record when I can get our technical folks to look at it specifically.[1]

Senator WARNER. Thank you very much. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much. Senator Metzenbaum.

Senator METZENBAUM. Mr. Noble, your Synthetic Fuels Corporation was created in 1980 with $15 billion. The initial goal was to create an industry with 500,000 barrels of oil per day production capability by 1987, 2 million barrels a day by 1992.

We know that the economy since then slowed, that oil prices collapsed, and that synfuel economics have been cast into grave doubt. To date you have given out one award of $120 million, and you have signed letters of intent with five additional projects.

I am concerned, however, as to whether this Synfuels Corporation which I very strongly supported makes any sense at all anymore because the level of assistance for these projects is extremely high. For example, the price guarantee subsidy for oil from shale is $67 a barrel, $45 a barrel for high Btu gas from oil. We could save more by providing $1 billion to weatherize homes, a million homes, and we would save 100 million barrels of oil over a 20-year period. period.

I also read statements by the Synthetic Fuels Corporation which show that you seek to give sponsors a 20- to 25-percent return on equity.

That to me is absurd. And CRS recently concluded that it would take a major technological and economic achievement not to hit

[1]See responses for the record, Mar. 6, 1984, answer No. 6.

500,000 barrels of oil a day, but to hit a 30,000 to 50,000 barrels of oil per day level by 1987.

You say you hope to get 70,000 barrels a day by 1987. We have total U.S. daily consumption of 15 million barrels of oil a day of which 5 million or so are imports, so synfuels actually provides very little hope for the future. It was a pie in the sky. Even if your high estimate of 70,000 or the 30,000 to 50,000 CRS is correct, the question is, Is it worth it? Can we justify in spending $10 billion or so to get such a little amount of energy? Wouldn't the money be more effectively used in conservation and other energy programs such as the strategic reserve?

As a matter of fact, if we spend the synfuels money on filling the SPR, you could buy 513 million barrels of oil, enough to replace all of our imports for 5 months, and I am concerned as to whether this great concept of yesteryear isn't just pouring money down an empty hole?

Mr. NOBLE. Senator, let me respond to that this way. You know, I went into this program a skeptic myself. It is very true that today we do not need synthetic fuels, but, as I mentioned in my testimony, we are not trying to make massive amounts of synthetic fuels today.

What we are trying to do is create what I call an insurance policy for the country. If we have a dozen plants in these various technologies that show that at some reasonable constant dollar value, even with first generation technology, we can produce synthetic fuels, then when you look at our solid fossil energy, our coal, our oil shale, our tar sands, the things that we are dealing with, when you look at that and realize that we have got about six times the reserves of the Middle East, and if we can in just a few plants show that we can do this—and first generation technology like airplanes or telephones or anything else, gets better and gets more efficient—then I think that we will have real leverage when a shortage comes. I don't think any expert says that there is not going to be a time in our future, whether it is a year from now or 10 years from now, when we are not going to need that.

Senator METZENBAUM. I would agree with you that we need the synfuels. It just seems to me frankly that——

Mr. NOBLE. May I point out one other thing?

Senator METZENBAUM. I have been let down.

Mr. NOBLE. May I point out one other thing which is misleading? When you talk about $67 a barrel, this is the initial assistance, but for virtually every program and every project that we are planning to negotiate, when that assistance is over, the plants will be paid down to the point that they can be competitive for maybe 20 to 30 years after the assistance is over.

Let's just take the shale projects that you mentioned at $67 a barrel. I have got a chart that will show you this: that with just a reasonable projection of prices through the year 2000 and the way we have negotiated these contracts—we will have what we call a taxpayer recoup on the outyears—the shale projects will average, 93 cents of assistance per barrel of production, and that is not a bad price for an insurance policy.

That is what we are dealing with. We are dealing with an insurance policy. We are not dealing with a panacea to solve all of our energy problems.

Senator METZENBAUM. I think so far the SFC has been a great disappointment to the American people. My time is going to run out.

Mr. NOBLE. For those optimistic goals, yes, sir, but I don't think that any of us anticipated the price structure at this time. However, because of the need in the outyears when we look at our 10 years' reserves, and the fact that these plants take 6 to 10 years to get on line, we need to get a few of them on line.

Senator METZENBAUM. Let's go over to the Great Plains coal gasification project. You gave them $2 billion in loan guarantees. Now they are seeking $1 to $2 billion in price guarantees at oil price equivalence of $45 a barrel. The price support would equal $7.75 per Mcf.

Now you originally, your commission, concluded that the risks of abandonment was not proven. Your financial officer, Ed Miller, testified in the House that the worst case analysis is that the rate of return on equity for the partners would be 6 to 24 percent a year—6 to 24, though book losses might occur.

Your Board suggested that Congress address this issue. Frankly, Mr. Noble, then you go down and you meet with Mr. Meese, and after that meeting, no deal. I called you about it. Great Plains formally notifies the Department of Energy of the intention to abandon.

It looks like a game plan. In December, SFC opens a solicitation inviting Great Plains to apply for price guarantees, saying an abandonment threat is more real. It looks like we are—the whole machinery is working. The railroads are right on track. We are going to really get this thing through, but you say oh, no, we are going to let everybody else come in as well. We are going to let them bid. They have all of 2 months, all of 2 months to indicate that they have got the capital, that by March 2 to come in and make a competitive proposal—an absolute absurdity on its face, impossible for anybody to do.

Was there improper political pressure applied to you by Mr. Meese? Is it appropriate for you as the head of an agency that we thought we had set up as an independent agency to get down and meet with the President's political spokespersons in the White House? We thought we set you up to be insulated from politics, but apparently that wasn't the way it was, so now then, question—is the abandonment threat credible?

Between 1985 and 1990, the partners will have no cash at risk. Between 1983 and 1988, the partners will receive tax benefits in excess of their cash contributions. Even if the project operates at a loss the partners will receive more cash from the project than they put into it, and the whole question of abandonment, they can't abandon that easily because it would trigger substantial recapture and they know it and you should know it as well, and anybody who has any knowledge at all of the tax laws will be aware of that.

The question is, How can you justify a $7.75 per Mcf price support when the market price is $2.75? More wells are being capped.

Now to add insult to injury, I tried to get some information from you, and I asked for the economic justification of the SFC analysis showing abandonment risk had been increased between October to December.

Mr. Noble, I would ask some of the staff to take this down to you. I have never been so insulted since I have been in this Congress. I got back a letter that has more blacked out than has words in it. There is nothing in the whole letter at all. You sent me a blank piece of paper.

What is so secret about this if you are talking about the taxpayers' money? I am a U.S. Senator. I am asking for the information. Oh, no, I can't have it.

Mr. Noble, I will tell you I think your credibility and the integrity of the whole SFC is on the line on the Great Plains project. You involved yourself politically. You are changing your position. You are refusing to give a U.S. Senator the information, and the abandonment is not a reality that ought to be contemplated. Frankly, that makes many of us think that the SFC and this whole thing about the politics is bad enough on its face.

The CHAIRMAN. The Senator's time has expired.

Senator METZENBAUM. Well, we will let Mr. Noble then respond.

The CHAIRMAN. I was going to suggest that Mr. Noble might like to respond.

Mr. NOBLE. Senator, you have asked several questions and made several statements.

Let me go back just a moment. This project was negotiated, as you know, by the DOE. It was a loan guarantee only, and a little of the time sequence is out of place in that the first rumblings that we heard that the project had problems were in June 1983 when we were asked by the DOE. We were not even a part of it, but we do have some folks that I think are very able as far as financial analysis is concerned.

We were called in at that point to make an analysis and we did go and had confidential access which DOE could not obtain to individual sponsors' books relative to the probability of abandonment.

Now when folks get into these kinds of questions and probability and percentages and that sort of thing of abandonment, you can have the probability proven or not proven, and in this case as you pointed out when it came back it was, not proven, but it was a matter of percentages.

Now the problem really arises a little over 5 years out. If they do not have a way to see that these losses—and they are fairly extensive losses based on present price projections 5 years out when they would have to pay back any tax benefit that they had—without any way to solve their problem 5 years out there is increased probability of abandonment at this time, but it still is not a proven case.

We still have not determined that it is a proven case as of today, but we were called in virtually as a third party to take another look at the probability. DOE had done some other studies, and GAO has done a study, none of which had taken the tax benefits into account, but putting that aside and getting to one issue that you mentioned, the White House absolutely did not put any pressure on us whatsoever. As I say, we had been called in by the DOE,

and it was my suggestion when the rumblings first started or actually when they really got heavy in the fall that the White House at least should be alerted because it was a DOE program. It was not our program. It was a DOE program, and that I felt that—and I talked to Donald Hodel and we asked for a briefing of Mr. Meese.

Mr. Meese did not do any arm twisting contrary to what the paper said. He listened to what we had to say and it was more of an informative explanation.

Senator METZENBAUM. Right after that you switched positions.

Mr. NOBLE. No, sir, I did not switch my position at all. My position then, and it is now, and the position that our Board took, was that it would be better to make a technical fix of the production tax credit because they might not be able to get what virtually everybody else in the industry could get, the production tax credit. I thought this needed a congressional fix. Second, if the DOE had the right, the same right that we had, for our loan guarantees to roll a portion of those loan guarantees into a price guarantee, it would be much better to look at this very objectively 5 years from now or at some point along the way rather than having to make that decision immediately. Congress did not see fit to adopt these, and that is not any of my business. They did not see fit to do these, but when they did not see fit to make these changes, then we thought it was only responsible that we take a look at it, and the only way we had to take a look at it was to issue a solicitation.

The Board, as I say, issued that solicitation January 5. It closed on February 2. The Board has not to this point at all taken a position as far as whether or not they need assistance.

Senator METZENBAUM. How much do they have to pay in taxes right now? If they abandon, what would they have to pay in taxes right now, the tax benefit?

Mr. NOBLE. I understand they would have to pay back—Hod Thornber, who is our Financial Vice President, can probably answer that specifically.

Mr. THORNBER. Senator, the project as we understand, some 3 or 4 months ago, passed what you might call the break-even point in terms of the tax cost—cost of abandonment. They haven't passed it by much, but at this point the net cost would be about a wash.

Senator METZENBAUM. They would have to pay about $367.4 million if they abandoned in 1984, wouldn't they?

Mr. THORNBER. If they abandon the investment in the project, it would be written off for a credit, and it would be offset against the recapture of investment under the tax credit that they have already taken; the net of those is a small number.

Senator METZENBAUM. How do I happen to have in front of me a chart that shows that they would have additional tax liability, tax savings due to abandonment for 1984 that would be $281 million, $281.1 million, total up to that point of $315 million? Why do I have different figures than you do? Because mine came from the Department of Energy.

Mr. THORNBER. Well, I am not with the Department of Energy, but I would be happy to look at the papers you have and see if I can understand them.

Senator METZENBAUM. That's the figures that I have.

Mr. NOBLE. Senator, might I make two more comments, sir? One of the reasons that I personally felt, and I think the Board felt, that this should at least be looked at—and as I say, the Board has not made a decision on the merits of this situation; it is still in a factfinding mode—is that with $1½ billion of the taxpayers' money already spent, I guess maybe more than that by now, to me it would be irresponsible on our part not to look at it as thoroughly as we possibly could, and that is what we are in the process of doing.

Now second, as far as this letter is concerned, I understand from my counsel that if the chairman requests that we can, and I think I am saying this correctly I hope, if we can respect the safeguards that we agreed to in getting the information, we will be happy to provide that information that is in these big blanks to you, sir.

Senator METZENBAUM. Mr. Chairman, we request in light of that——

The CHAIRMAN. Just two things need to be said here. We have taken longer perhaps on this particular issue than is ordinarily allocated to an individual Senator, but I think it is important that we get this on the record.

One is that much of that material is proprietary under the law and under the practices. If we are going to be able to continue to operate with the private individuals, or the private sector that is involved here, we have an obligation to keep secure that material which is given in confidence. That is a legal requirement. It is a moral requirement. It is a practical requirement. And we cannot use the power of Government to get information from them and then disseminate that to the public.

Senator METZENBAUM. Mr. Chairman, I don't think this information falls in that category because it starts off saying—I don't believe that these are necessarily their numbers because I think these are the numbers put together by the SFC because they start saying a number of hypothetical calculations can be done with different systems, packages: "The attached table reflects the outcome for all responsible . . ."——

The CHAIRMAN. Senator, let me take a look at it along with yourself, and with the SFC people, to determine whether or not the information is proprietary. If it is, I am not going to request that it be made public.

Senator METZENBAUM. I am not asking for it to be made public. I am asking for it to be made available to me.

The CHAIRMAN. I will pass that.

Senator METZENBAUM. What is so secret? They are playing with the taxpayers' money.

The CHAIRMAN. Sometimes there is proprietary information that is——

Senator METZENBAUM. This is not proprietary. They don't even claim it is proprietary. They say it is negotiation-sensitive information. They don't say it is proprietary.

The CHAIRMAN. Again, we will look at that, and we will try to consult with you to make as much material available to you. I think you are entitled to as much material as can be made available, and we will try to distinguish that which is proprietary from that which is not. Again, I think you are entitled to information

that the public generally would not be, and you have a responsibility in that instance to avoid its public dissemination, but I also want to make one other statement of fact which I think is important in chronology.

There is some hint here that the Synthetic Fuels Corporation, acting on their own, involved the administration and got involved in these negotiations with the Great Plains consortium all on their own.

As a matter of fact, the Appropriations Committee in looking at this problem has twice directed the SFC to get involved. In the Interior Appropriations Committee report of last July 19, 1983 (S. Rept. 98-184), we directed that the SFC——

Senator METZENBAUM. I have no objection to that.

The CHAIRMAN [continuing]. Enter into direct negotiations with Great Plains; we wanted to find out. I know on my own part I was as skeptical as the Senator from Ohio has been about the issue of abandonment, whether or not we were really going to get into something that they wouldn't abandon anyhow, and we asked. I participated in that action, in the Interior Appropriations Committee, to try to get that underway so that we would be informed if indeed there was the likelihood of abandonment, and if something ought to be done.

That, incidentally, was a direction contained in a report of a committee of the Senate prior to the meeting with Ed Meese.

Again following that, in the continuing resolution, the SFC was again directed to involve themselves in this project negotiation (S. Rept. 98-304 and H. Rept. 98-540). In my own conversations with Mr. Noble I urged him not to act without a solicitation and that if indeed Great Plains had a case to make before the Synthetic Fuels Corporation, it ought to be in the context of a solicitation exactly as every other project that comes before them, not to be treated differently, but to give them the opportunity. Although they had been a DOE project, don't handle it in DOE, handle it in the SFC and allow them to come forward with a price guarantee or market guarantee solicitation in substitution for the liability that might accrue to the United States under the loan guarantee.

As a matter of fact, I think that may well be the only way to protect the taxpayers.

Senator METZENBAUM. Mr. Chairman, I want to point out to you, you are saying that the Congress directed them to do so. Let's set the record straight about that. The language in that connection was not a matter in dispute between the House and the Senate, and the language was put in at conference level, and none of us knew about it. Nobody in the Senate was apprised of it.

The CHAIRMAN. The Senator is entirely correct.

Senator METZENBAUM. I am not entirely—let me finish, please. And I was under the impression that it was going to be in the report language, went to Senator Hatfield and objected that it be in the report language, did not know at the time that it already had been put into the conference committee language, and so I would say to you that——

The CHAIRMAN. But that was the third time, not the first time, or the second time.

Senator METZENBAUM. You tell me then——

The CHAIRMAN. Do you want to read it?

Senator METZENBAUM. It was the first time when it went through. The second time it did not.

The CHAIRMAN. The third time it did not. The first time it did. The second time it did. The third time it did not.

Senator METZENBAUM. No; that isn't correct. The second time it was done.

The CHAIRMAN. The facts will speak for themselves. This isn't the time for us to have our debate, but I think in fairness to Mr. Noble, and while people are making impressions based upon statements made here, we ought to get the facts on the table, and what I have recited is my view of the facts.

The Senator from Ohio might have a different view which he is entitled to. It sometimes does occur that you and I don't agree, but I don't want the impression left here that the Synthetic Fuels Corporation for some reason associated with political manipulation between themselves and the White House, got involved in something and made decisions.

Senator METZENBAUM. I have not suggested that.

The CHAIRMAN. I'm glad you haven't suggested that, and let the record show that.

Senator METZENBAUM. I have suggested Mr. Meese did not belong in this particular situation.

The CHAIRMAN. I understand that. Mr. Noble has responded in respect to his own views as to why you talked to Mr. Meese about that matter. The people make their own judgments about that matter.

I think it is also worth noting as I have tried to say a number of times, it was obvious to me, from the very outset when we started the Synthetic Fuels Corporation and we arrayed in that statute the means by which assistance might be offered or granted to these projects, that loan guarantees may not be the best way to go, that indeed price or market guarantees might be more, ultimately more important than the loan guarantee as a matter of record. I said it at that time, as I have said consistently since. The shielding against market changes can arrive in different forms, and it is obvious in a declining energy market that a loan guarantee is less important than a price guarantee; that is one of the reasons the Synthetic Fuels Corporation had trouble with some of the initial solicitations; many of the initial solicitations were in the form of loan guarantees and the project sponsors withdrew as price declined.

The one that survived out of the original bunch was a price guarantee—market guarantee which is significant, I believe. The fact that the first was the Great Plains proposal, that went through the DOE window before SFC came into being, was a loan guarantee was simply a product of the times in which that was done. They also got far enough into it that they couldn't get out of it as other project proposals were abandoned, so they now seek to convert from a loan guarantee to a price guarantee.

I would suggest to the Senator from Ohio and others that indeed if there is an abandonment where there is a loan guarantee, there is exposure of the taxpayers to loss.

If by converting it from a loan guarantee to a different kind of a proposal the project can be saved, the taxpayers are protected. Now I say "if." I have not concluded that. First of all, I don't know whether it would be abandonment. It is a matter of judgment.

Second, I don't know whether a proposal will be successful. That is up to the Synthetic Fuels Corporation to make that determination, and finally, if there is a conversion from a loan guarantee to a different kind of a proposal, whether that will be successful in the long run we don't know, or what the exposure of the taxpayers might be in that event, but it isn't as though it is a black-and-white situation in which you judge that if they do anything the taxpayers have been defrauded, and if they do nothing, the taxpayers have been protected.

Quite the contrary; judgments must be exercised. I trust the Synthetic Fuels Corporation will exercise some judgment. We may have some differing opinion about how well they have done that when the facts are in as to how that exercise comes out.

Senator METZENBAUM. Is the Chairman suggesting that if they decide to go for price guarantees that at that point the loan guarantees that are presently existant will then become void? That wouldn't be the case, would it, Mr. Noble?

Mr. NOBLE. We have the right to have a combination, and frankly, I think if we look back on it, that the wisdom of the structuring of the forms of assistance was basically very good. We have the ability to give loan guarantees, price guarantees, purchase agreements, joint ventures, and what they call go-co's.

The first three have been the preferential, and frankly that is all we have used, but we do have the right to combine both a loan guarantee and a price guarantee.

Senator METZENBAUM. One would be eliminated with the other?

Mr. NOBLE. No; not necessarily.

Senator METZENBAUM. You wouldn't do that.

Mr. NOBLE. But in every case where we have a price guarantee, we also have a taxpayer recoupment based on the fact that the price may—at a later point in time turn around and they may be able to pay back that price guarantee. In every case we negotiate that. If the Board makes the judgment that they are going to assist the project or try to negotiate assistance, it will be because we think that it will save more of the money of the taxpayers than it would if they abandoned.

They have taken every step except the 14-day notice to abandonment of that project.

Senator METZENBAUM. I just wanted to clarify a point that the Chairman seemed to be suggesting, that it was either a loan guarantee, and you might change it to price guarantee, and as I understand it, the thing that would be contemplated is rolling the two together, that you would not be terminating the loan guarantee.

Mr. NOBLE. The DOE's loan guarantee would still be in place, and if we negotiated with them, it would be based on a price guarantee.

Senator METZENBAUM. I thank you.

The CHAIRMAN. I would hope, Mr. Noble, that you are capable of looking at the way which would be most beneficial to the taxpayers of this country.

Mr. NOBLE. Yes, sir.

The CHAIRMAN. And that you wouldn't be forced into the mode of accepting a higher cost option.

Mr. NOBLE. No, sir, we are going to try to minimize the cost if we do it, and again we have not made that determination. The Board has not passed on the merits of it, but if we do, we will try to, as we do with every project, to negotiate the absolute lowest dollar, and where there are price guarantees, where we would have a what we call a taxpayer recoupment clause.

The CHAIRMAN. Senator Evans.

Senator EVANS. I am listening with fascination. I don't pretend to have yet the detailed knowledge my colleagues do of the activities of the Synthetic Fuels Corporation, being new, but I am attracted by $14 billion and I can guarantee you that over the next few months I intend to get quite familiar with the activities and ask some significant questions to get familiar, but I have got some broader questions at this moment.

I am concerned about the—what we are really attempting to do as I understand it is to approve technologies to develop the opportunity for fuel independence or energy independence or at least the potential of that, and I am concerned about how you fit with everyone else. To what degree is your work and the decisions on where to spend money integrated with the broader alternatives for other energy sources?

How do we know that continuing on in the direction you have, which it seems to me up to now has been sort of a project-by-project basis, is appropriate? Do you have any contact with anybody else? Is what you are doing fitted in with the broader energy research picture?

Mr. NOBLE. Well, do you mean in essence, I mean in relation to say renewables like nuclear and geothermal?

Senator EVANS. Sure; anything.

Mr. NOBLE. Solar?

Senator EVANS. Or everything.

Mr. NOBLE. Our statute which the Congress gave to us suggested that we address ourselves strictly to these areas that we are dealing with which is primarily coal and oil shale and tar sands. It does make a provision for MHD and electrolysis of water but we are primarily dealing with the massive, massive reserves that we have in this country which I mentioned earlier. These resources nonrenewable, fossil energy resources, but they do represent in minerable reserves about six times, if you converted them into liquid and gas, about six times the whole Middle East, which is massive. The idea of the act as I understood it, of course, at the time, was more that this would be a panacea to all our problems so to speak for 40 or 50 years and maybe 100 years.

We look at it more now, particularly in light of the change in the energy prices, as something that really should be done from an insurance and national security point of view on a very limited basis at this time to get experience with these technologies. All the technologies we are dealing with have been proven from an R&D point of view, but to take those from that point up to 100 to 200 times larger is quite a step, and it has a real learning curve.

The Sasol program took 10 years for its first plant to get to design capacity. The Sasol II plant took 5 years to get to design capacity, and the Sasol III plant looks like it is going to take about 3 years to get to design capacity. That is the way the technology moves.

Senator EVANS. I understand.

Mr. NOBLE. I hope I am answering the question you have asked. I am not sure.

Senator EVANS. No; I really don't think so. I understand you are saying that you feel that—perhaps it is the fault of the law, but somewhere along the line it seems to me that we ought to be dealing with the, first with the need which is for sufficient forms of energy and usable waste to handle both this economy and the growth we hope for and for future generations.

I think we would be not doing our job if all we did was tear up the landscape, use what we could, get out and say goodbye. For the next generation isn't it important to—and I understand the size of the reserves, the potential, but you know, we have reserves in the waste pile at Oak Ridge that have about the same capacity of using the breeder reactor. We have enough hydrogen around; if we could figure out how to effectively use it would make all the other energy look inconsequential.

Where in the world are we going to make some decisions, especially when you have got a cash pot of $14 billion, as to whether it is worthwhile spending that $14 billion versus spending money on some other resources?

Mr. NOBLE. The Energy Security Act, Senator, did provide initially in the first phase $20 billion; $1 billion of it went to solar research. A portion of it was taken up by biomass research, and a portion I think was geothermal research, but what we are short of in this country as we all know are liquids. We were importing almost 50 percent of our liquids at the time it was passed. It got down to less than 25 percent, and it is back up again to over one-third of our liquids that we are importing at this time, so we still are short of liquids, and this program was designed primarily to replace liquids, either gas to replace liquids or liquids themselves.

Senator EVANS. If you can replace a current stationary powerplant burning oil with one that uses a different fuel, then that supplies liquid in the same fashion that you could do it out of any other resource?

Mr. NOBLE. That is exactly correct, and that is the approach we have taken.

Senator EVANS. A nuclear plant can do that as well as a synfuels plant.

Mr. NOBLE. Yes sir.

Senator EVANS. You are not in touch with anyone on a regular basis in talking or dealing with or considering these various forms of activities or potential activities to determine which ones may have the greatest possibility or greatest potential? You are sticking with your own field?

Mr. NOBLE. The Energy Security Act tells us specifically what we should do.

Senator EVANS. But that doesn't mean you can't talk with anybody else.

35-235 O - 84 - 62

Mr. NOBLE. We do talk to people.

Senator EVANS. Is there any conscious or continuing kind of activity that attempts to bring all of these various elements together?

Mr. NOBLE. Not that I know of, sir.

Senator EVANS. Don't you think that would be a pretty important thing to do?

Mr. NOBLE. I think it would be a great suggestion. We are dealing strictly with the act that we were given, and to get too far outside of that might——

Senator EVANS. Are all the projects that you have either approved or are in the process of working with processes that are new processes? Are some of them processes that in other countries or in other areas have been approved already?

Mr. NOBLE. Some of the processes have been proven in other areas. The Great Plains project which we have just spoke of uses the fixed-bed Lurgi process, but there is a difference between having that knowledge and technology across the ocean and having the people that know how to do it and the infrastructure in this country.

You have to still go through that learning experience. A lot of the technology is a refinement of what the Germans did in World War II but albeit it is on to a much greater scale.

Senator EVANS. Have they done it to the point where it is an economic success?

Mr. NOBLE. They were doing it during the war in very small plants, what we would almost call pilot plants at this time.

Senator EVANS. They have not pursued it since?

Mr. NOBLE. They have some research and development going on over there, yes, sir, and we have tried to keep in touch with that. Our T&E folks could fill you in on that much better than I can.

Senator EVANS. Do you feel in working on the projects that are now being considered that you are looking at the total costs that we are going to face when we look ahead toward the potential economics of synfuels?

Particularly I have in mind the environmental costs, and I think we are going to have to do that with today's version of the coal plant, with nuclear plants, with all others. We are not taking into account the full environmental costs of producing energy by this method.

Do you feel that you are in the work that you are doing?

Mr. NOBLE. Yes, sir, and frankly, I consider myself an environmentalist, and I believe that the true environmentalist really should want this done in a time when you don't have an emphasis to build say 40 plants at one time.

We think that the environmental technology that we are using is well designed and it is good, but it would be much safer, much more efficient, to be able to have a few plants and be able to judge this environmental technology, and if there are any flaws in it, to find those things out now when we don't have a crisis on our hands in which everybody is wringing their hands say for 40 plants at one time. I think that would be the very worst way to go about it.

As I say, I came into the program a skeptic, but I do believe that the way we are going about it is not in a massive way, but to pro-

vide this option for the country. At the same time we will be testing the environmental technology very well.

Senator EVANS. Could you get for me the review that you mentioned, the 93 cents a barrel?

Mr. NOBLE. Yes, sir.

Senator EVANS. And the assumptions and the explanation that went behind it; it would be helpful to me.

Mr. NOBLE. Yes, sir.

[The information follows:]

March 2, 1984

ITEM FOR SENATE TESTIMONY RECORD
(NET SFC OUTLAYS FOR SHALE PROJECTS)

Clarification for the record was requested with respect to the figure of $.93 per barrel net SFC outlay for Western oil shale projects over their project life cited in testimony on February 9, 1984.

This number is based on the aggregate SFC assistance of $4.935 billion contemplated by term sheets authorized for the Union Oil Phase II, Cathedral Bluffs and Seep Ridge projects. The combined daily production of these three projects would be 58,420 barrels, or total production over 30 years of some 560 million barrels. In each case the SFC assistance terms provide for significant taxpayer recovery based on future project cash flows or crude oil prices. Offsetting the taxpayer recoveries against projected price guarantee outlays results in forecast net SFC outlays of $521 million. Thus the net SFC outlay over the projects' life would be $.93 per barrel [$521 million ÷ 560 million].

It is important to note for the record that SFC also considers the net present value of such outlays to take into account the time value of money and the pattern of future cash outflows and reflows (i.e., no outflows during the construction period, price guarantees outlays for up to ten years of production, and taxpayer recoveries during the subsequent period of operations). Using the OMB stipulated methodology for measuring the discounted present value of federal subisidies, the present value of the forecast net SFC outlays over the projects' operating life would be $1.03 per barrel.

These calculations are, as noted, based on the three term sheets from Western shale projects which have been authorized to date. Naturally the actual net outlay figures will reflect both the final slate of Western shale awards and economic eventualities far in the future.

The chart to which the Chairman referred contained the following data:

1. Projects: Union (Phases I and II), Cathedral Bluffs, and Seep Ridge - for which letters of intent have been signed or announced

2. Combined Size (BBL/day): 58,420

3. 30-Year Planned Production: 560 million

4. SFC Obligational Authority (millions): $4,935

5. Estimated SFC Net Cash Outlays (millions): $521
(after taxpayper recovery)

6. Net Federal Outlays Per 30-Year Lifetime Barrel: $0.93

7. Present Value Per Barrel of Net Outlays: $1.03

Senator EVANS. It seems to me—what is your current position on the question of developing a comprehensive strategy for the Corporation?

It seems to me from reading your testimony that you were a little uncertain whether to proceed ahead on the current schedule or to ask for a delay, and I am not sure that you have got a whole lot of help from the House of Representatives in that field.

What is your current feeling?

Mr. NOBLE. Well, my feeling is this, sir. As you know, the Energy Security Act under section 126 says——

Senator EVANS. It has the deadline.

Mr. NOBLE. It says we should provide it by June 30, 1984. Under certain conditions under section 126 we can delay it for a year.

Last fall we had an indication from the Senate Appropriations Committee that they would like to see it delayed. Recently the House committee that I prepared for felt that they would like to see a timely submittal of that RCS. Frankly, we are in the process right now of talking to Hill Members to try to find out what the feeling of Congress is. For practical purposes, our staff will have a preliminary outline in February. We would be prepared to submit it and are moving to be able to submit it on June 30 of this year, but I would like to have more feeling from the Congress and discuss it with our Board. We will be, making a decision on it, but I think that we can respond to the will of Congress, and if we submitted it on June 30 we would have more information 6 to 9 months later because we are in a very intensive negotiation period, but we could provide that additional information in some kind of an addendum and say we are going to be ready June 30. We would like to have some feedback from Congress.

Senator EVANS. Well, I can give you some feedback. As far as I am concerned right now, that I don't get hung up on time deadlines if to meet a time deadline you end up with an incomplete report, and I think that it is important, but I do think that, it seems to me at least that my view of the term "comprehensive strategy"—maybe the act defines it in a different way, but my view of the comprehensive strategy would be something darned important to precede a lot of the decisionmaking on individual projects.

You have got to have some kind of comprehensive strategy to know where you are going, whether it was prudent to do so. I would at least hope that you have that as early as possible because it should be giving us some guidance, but whether it is on June 30 or August 1 or whenever, I would like to see it as fast as possible, but if you feel that it is complete and worthwhile——

Mr. NOBLE. All the planning is dynamic.

Senator EVANS. I know it is.

Mr. NOBLE. It continues, but we are trying to get prepared to deliver it on time on June 30.

Senator EVANS. Good; I may well have some other written questions that I would like to submit, and Mr. Chairman, I must say that I guess I will have to remain a skeptic as you should preceding getting into more detail and understanding better the activities, and would suggest to the chairman that maybe in light of this colloquy we ought to be taking a better look at how we integrate the various forms of energy research activities. We seem to be taking

them one at a time. We dump a Clinch River and cross out our opportunity to move in that direction.

We talk now in this field about looking just within the synthetic fuels operation, and it seems to me that—I don't know what attempts have been made and what we are doing on a continuing basis, but it is just foolish for us to not have a better sense of what is going on in all fields and make some conscious determinations as to where we can best put our investment, where it will bring us the most rewards, understanding that when you are talking about research and pilot projects that is not an easy thing to determine.

Mr. NOBLE. Senator, I would like to make one distinction. We are talking about commercial plants, and there really is a big difference between what you know and research and development. When you take it from say a barrel or 50 barrels a day and you scale that up to 10,000, 20,000 barrels a day, there are a lot of things that mechanically don't work that they just have to learn, that they must learn.

Senator EVANS. I am very much aware of that. That is precisely what was being attempted in Clinch River, and of course, we decided not to go ahead on that. I suppose we might decide not to go ahead on this at some point in the future, too, but we ought to know where we can best put our effort.

For instance, the goals that are set forth in the act relating to synthetic fuels could be met maybe a whole lot cheaper. At the rate we drive in this country and the number of millions of barrels of oil a day we use in our automobile vehicular fleet with 100 million of them on the road traveling as I understand it something like 10,000 miles a year on the average, just upping the average efficiency from 20 to 25 miles per gallon is beyond what you are talking about as a goal by some distance, so there may be other ways to do things that are even cheaper and even dealing with the whole field of liquid fuel, and that is why I think we need to look at all of these options before we spend a whole lot of everybody's money.

The CHAIRMAN. Thank you, Senator Evans. I think it is worth noting and should be noted at this point that the obligation of the $20 billion fund is only partially expenditure. Hopefully it is not expended.

Senator EVANS. I understand that.

The CHAIRMAN. It is a contingent liability. Even when committed it is a contingent liability and may never be expended at all.

Senator EVANS. Although those do have a way of being expended most of the time.

The CHAIRMAN. Senator Domenici.

Senator DOMENICI. Thank you, Mr. Chairman. I am not going to ask any questions. I just wanted to make an observation with you, it is wonderful to have Senator Evans on board. He sounds like some of us sounded 10 years ago, so we have to get refreshed from time to time.

Senator EVANS. Meaning what? Ten years from now I'll be jaded?

Senator DOMENICI. You will sit here at the end of the table and wonder what the hell is going on.

In any event, we just don't seem to be able to do things as nicely as you have described it, but anyway, I would like to just make a couple of comments about the work of this Corporation.

Yesterday, Mr. Chairman, I note a number of Senators noted such facts as crude imports were up 30 percent in January over January 1983. Stocks of distillate in January were 30 percent below January 1983. These were facts that were brought up so that support could be made for SPRO, and I don't argue. You and I have always agreed on SPRO.

I guess what we have been concerned about is how quick we have to do it and how much new space we ought to acquire and the like, off budget, on budget, but basically it seems to me that those same set of facts used to support the need for a strategic petroleum reserve, and I hope some would agree that that same set of facts can be used to support the contention that our Nation must have a base of experience in the area of synthetic fuels. That is what this Corporation is going to do in the first phase is provide this country with a commercial base of experience, and nobody is suggesting that we know enough now to say that we are going to need 40 synthetic fuel plants at the cost of $1 billion, but to contend at this late date that we don't need that base of experience and still be confronted with the facts that we had yesterday that justify SPRO, the world as we know it seems to me to bring back into focus the very reasons that some of us had when we initiated the legislation for this.

I can recall discussing with members of my staff and with certain Senators prior to the introduction of the bill which would provide for that independent corporate entity the same discussion we are having here today.

We suggested that the mechanism should be used not because it would deliver synthetic fuels quickly or the quickest way during that frantic time of 1979. We supported it because it was one way to survive what we thought might eventually be another glut coming along right in the middle of the evolution of this experience. We saw that in the seventies, after the 1973 embargo, frantic hysteria, glut and so some of us thought that that would happen again.

It did. Some of us thought if we had another mechanism in place we could cancel everything, and I can almost bet that if these were in the Department of Energy and we hadn't set the thing aside and put the authorization there, in these budget times we would have canceled everything even though they were contingent liabilities, loan programs. We would have been running around the country to save money and we probably wouldn't have saved anything. The deficit would have been about the same—as the chairman indicates there is very little outlays.

The CHAIRMAN. That's right.

Senator DOMENICI. Hardly anything; if we want to draw a bottom line, it is outlays, so I haven't changed my mind. I don't know that anybody could have done it in the way we all theorized, and I assure you there is going to be an opportunity to beat you on the head regardless of what you do. You could have come up with everything roses as you see it, and there is no question but that somebody would have found a nice way to make you just a little more

bald, punch you in the nose, write some things that indicate that you might even be incompetent.

I don't think you are, and I wish you were doing better, but I am not sure we know how to in our system do better for this kind of project. It is sort of a freak, but we developed the freak. We don't like to have corporations like this in a marketplace-oriented economy, but I hope we give you a chance to get some of these projects funded on the way before we once again decide we don't have a problem.

Thank you, Mr. Chairman.

The CHAIRMAN. You are more than welcome, Senator. As a matter of fact, I appreciate the comments and associate myself fully with all of the comments that you have made.

Mr. Noble, there is just one other question and then I will submit the balance of my questions, and some from other persons, for responses in writing for the record. There are some widespread rumors that the President intends to prevent the SFC from functioning. Those rumors have been around ever since this administration came to town and ever since you took over the reins down there.

Now they are focusing on the fact that there are vacancies on the Board and that there will be further vacancies on the Board. Mr. Mason's term expired last August. He can't serve past this next August. Mr. Monks has resigned, and Mr. Carter's term expires in August. If there is one further resignation the Board will be incapable of acting.

Do you know or would you care to comment as to what you foresee with respect to the filling of vacancies on the Board?

Mr. NOBLE. I have no knowledge of any what they have called in the press a hidden agenda. I have talked to White House personnel and have indicated to them that I would like to see an appointment just as quickly as they can properly do so.

I have had no indication that that will not be done, and I think we will have an appointment to the Board, so I just have no knowledge of anything of that nature.

The CHAIRMAN. Thank you very much.

Mr. NOBLE. That is not the nature of our President, either. He is a pretty straightforward guy. If he doesn't want something, he will tell you.

The CHAIRMAN. Thank you very much, Mr. Noble. I have received, and Senator Metzenbaum has asked that a statement of the Environmental Policy Institute be made a part of the record. Pursuant to that request it will be made a part of the record at this point.

[The statement submitted by Robert Roach of the Environmental Policy Institute follows:]

ENVIRONMENTAL POLICY INSTITUTE

Written Statement of Robert Roach
Environmental Policy Institute
Submitted to the Senate Energy and Natural Resources Committee
February 9, 1984

This written statement on the operation and performance of the Synthetic Fuels Corporation (SFC) is presented on behalf of the Environmental Policy Institute (EPI). Our request to present oral testimony at today's hearing was denied, but Committee staff did indicate that a written statement would be accepted for the record. We were greatly disappointed that we were not able to appear before the full Committee today. Since the SFC is not subject to annual authorizations and appropriations, this Committee's oversight hearings provide one of the few opportunities for Congress to review the SFC. In the three years this Committee has held oversight hearings on the SFC, the only witnesses to appear before the committee have been officials of the SFC. We believe that including outside witnesses in the course of SFC oversight would better enable the members of the Committee to make a thorough and well balanced assessment of the program.

The need for close scrutiny of the activities of the Synthetic Fuels Corporation (SFC) is greater today than ever before. As budget deficits of $200 billion dominate the headlines, the major players in the synfuels industry are walking away from synfuels commercialization efforts, and the dreams of the authors of the Enery Security Act are farther from reality today than they were when the Act was passed three and one half years ago.

Since the early 1970's, EPI has been actively involved in the debates over the proper federal role in the development of synthetic fuels. Since the passage of the Energy Security Act, EPI has closely monitored the activities of the Synthetic Fuels Corporation (SFC) and has assessed many of the projects which have applied for SFC financial assistance.

It is the position of our organization that synthetic fuels need to be explored as potential alternative fuel sources for this nation. The major issues we have wrestled with relate to the size, speed and scope of a federal synthetic fuels development program, and the priority which should be given to these technologies vis-a-vis other energy supply alternatives. EPI has repeatedly voiced concern about the advisability and effectiveness of earmarking billions of federal dollars to underwrite a crash synthetic fuels commercialization program.

The history of the synfuels program to date supports this position. The demise of several synfuels projects which were frontrunners for federal assistance over the past two years is a clear indication of the gap which exists between current technologies and commercial viability. Despite the promise of billions in federal subsidies, companies made the decision to abandon, halt or substantially scale down projects due to economic and market factors. The current status of the synfuels industry does not make it a promising energy alternative nor does it justify additional subdsidies for commercialization efforts. Rather, it

underscores the need for a major redirection of federal development policies.

Statements and actions of government agencies and the synfuels industry itself indicate the need for more research and development and the belief that these technologies are not economically viable at this time.

Perhaps the most dramatic proof that the synfuels commercialization program is premature is presented by the four projects which have already received commitments for over $3.7 billion in loan and price guarantees. One project collapsed when estimated construction costs doubled. Another venture with projected losses in excess of $700 million during the first ten years of operation - despite a $2 billion loan guarantee, generous tax credits and a special pricing formula - is back asking the federal government for $1-2 billion in additional price supports. A third project, which has already received $400 million in price supports, is currently asking the SFC for an additional $2.7 billion in price supports at a rate of $67 per barrel in order to expand its facility. The SFC has already issued a Letter of Intent to the sponsors of the project for that expansion in spite of the fact that the project has encountered serious difficulties during start-up, faces many uncertainties with regard to permits for the expansion, and is embroiled in a controversy over the deaths of two workers under questionable circumstances. The most recent recipient of federal subsidies is a venture originally designed as a private sector R & D project - a far cry from the massive

commercial plants envisioned by the authors of the Energy Security Act. Clearly, such a track record does not augur well for the success of this program or the viability of these technologies.

The potential ramifications of proceeding with this crash commercialization program are serious from both an economic and energy security perspective:

* Price supports offered by the SFC, or granted through contracts already negotiated under the Energy Security Act, have guaranteed prices which are well above the market price of oil, and above any reasonable projection of future prices. This will result in the expenditure of billions of dollars.

* The large federal subsidies granted to synfuels ventures may increase the difficulty of attracting funds for cheaper, more effective supply alternatives by drawing away private capital, creating more pressure on credit markets and increasing interest rates.

* The SFC does not dispute that the program will result in enormous federal outlays. Former SFC Executive Vice President Jimmie Bowden stated that the SFC may have to pay off most of the $15 billion in contingent liabilities it is expected to commit. In testimony before the House Banking Subcommittee on Economic Stabilization in April, 1983, SFC Chairman Ed Noble predicted future expenditures of $10.3 billion.

* The fact that exorbitant price guarantees are required to make synfuels projects attractive poses another serious problem - the $15 billion committed by the SFC may be only the tip of the iceberg. Projects totally dependent upon federal subsidies for construction and initial operation may require additional subsidies throughout their lives to continue operating, as evidenced by the Great Plains Project.

Most importantly, the current effort to subsidize the development of a commercial synfuels industry may undermine, rather than further, the nation's goal of establishing an energy program

to alleviate energy vulnerability and develop reliable, cost effective and flexible sources of energy supplies.

A dominant theme in any discussion of federal synthetic fuels development is national energy security. We all agree that it is in the best interests of the United States to pursue the development of alternative sources of energy. We can also agree that the abundance of coal and oil shale resources in this country makes synfuels an obvious candidate for this purpose. The general consensus ends however, when discussions focus on how to best achieve this goal.

The Energy Security Act was written to reduce the nation's vulnerability to unstable sources of energy. The federal synthetic fuels commercialization program was the cornerstone of this effort. It is ironic that the program's cornerstone may be the cause of its undoing. Synthetic fuels currently enjoy some of the largest subsidies available to any energy technology, yet the ability of these technologies to be self sufficient and make any significant contribution to the nation's energy supply has not been proven. Energy security requires technologies which are reliable, commercially viable and environmentally acceptable. Synfuels currently meet none of these criteria.

With respect to reliability, there have been relatively few pilot scale and demonstration scale facilities built in this country, and the operating history of commercial plants is almost non-existent. Even the SFC's 1983 Annual Report recommends a legislative change in the Energy Security Act to allow for as-

sistance to semi-works facilities. Combined with the recent statements from members of the private sector and governmental agencies about the need for more research and development of these technologies, it is clear that synfuels are anything but a sure bet to alleviate our energy vulnerability.

Beyond reliability, synfuels technologies are of dubious benefit to the nation's energy security because they are simply not cost effective, and will not be so until the real cost of energy increases at least two to three fold.

A 1982 Rand study on cost growth and performance shortfalls in pioneer process plants stated:

> The history of cost estimates for synthetic fuels and other energy process technologies is not one to inspire corporate and government planners with confidence. Over the past decade, estimated costs have risen continuously and rapidly in constant dollars.

The study's conclusion noted that:

> The results of the analysis confirm something that many managers have long known: The cost and performance uncertainties for synthetic fuels and other advanced energy process plants are considerable.

Financial assistance packages offered by the SFC confirm this analysis. They included price guarantees of $1.05 per gallon for methanol, which currently sells for 50 to 70 cents per gallon or less; $60 per barrel for oil from shale; and $67 per barrel of oil equivalent for High Btu gas from coal, while the price of oil is $29 per barrel.

There are also serious environmental problems associated with the production of synthetic fuels. Most importantly, synfuels processes will release many unregulated substances in air emissions, liquid effluents, and solid wastes which are known or suspected mutagens, carcinogens and toxics. The problems posed by the pollutants are compounded by the enormous volumes of waste produced by a single plant - thousands of tons per day. Effects of synfuels processes on workers and surrounding communities are largely unknown, as are safety systems designed to control these new technologies during normal and emergency situations. End products, especially those of coal liquefaction processes, need to be characterized.

There are additional problems which are better understood but not adequately controlled. For example, the operation of commercial synthetic fuels plants (30,000-50,000 barrels per day) will require the mining of 20,000 to 30,000 tons per day of coal and 60,000 to 100,000 tons per day of shale, resulting in massive land disturbance and reclamation problems. The plants will require enormous quantities of water. Much of the development will be located in sparsely populated areas, causing tremendous socioeconomic problems.

The crash commercialization of synthetic fuels also has important opportunity costs. There are many alternative supply options which can reduce our nation's vulnerability more cheaply, quickly and reliably. These include various forms of energy conservation - weatherization, industrial cogeneration and improved

automobile efficiency - and development of unconventional oil and gas resources.

There are limited federal dollars available for the development of energy technologies, and there are a limited number of dollars which can be raised by the private sector. From an energy policy perspective, dedicating a disproportionate amount of federal energy dollars into synthetic fuels development cannot be justified when other technologies which are equally or more promising go severely underfunded. In these days of $200 billion budget deficits, we can no longer follow an "everything for everybody" policy. We need to be more discriminating in selecting energy alternatives to receive assistance, and in determining the amount and form of aid provided.

Energy vulnerability can result from dependence upon unreliable technologies just as easily as from dependence upon unstable nations. One would hope that with an issue as crucial as energy security, this government can find something more promising to offer the American public.

The real issue in the debate over the federal synthetic fuels program is how to most efficiently develop a new energy technology. Unfortunately, the current federal synthetic fuels program is not an effective approach.

Fundamental changes in the current program are necessary if we hope to effectively explore and develop the potential of synthetic fuels. The Energy Security Act established an ambitious goal for this nation with respect to synthetic fuels development,

and to achieve that goal, the Act mandated a sizable and active role for the federal government. Given the deep problems which have plagued this program so far, and the lack of any prospect for a change in fortunes, it is clearly time for a full-scale restructuring of the program and a redirection of the nature and scope of the federal government's role in synfuels development.

Simply providing additional subsidies for commercialization, whether in the form of loan guarantees, price guarantees or tax credits, will not alleviate the fundamental problems which plague this industry - namely market and technical uncertainties. As we have continually seen with numerous federal programs, simply throwing more money at a problem will not solve it. This continues to be the preferred solution to the problems of the synthetic fuels industry. However, it is unlikely that such an approach will be any more successful with synfuels or provide the nation with any real energy security.

A modest, evenly-paced program providing for renewed emphasis on fundamental research, and the testing and development of technologies to optimize process efficiencies will be more effective than the current commercialization effort. These efforts should be conducted on a cost-sharing basis by the government and the private sector at central R & D facilities. Such an approach will reduce costs, avoid redundancy and facilitate the accumulation of data and the refinement of technologies so that the private sector will be in a position to establish a commercially viable industry when the economics and markets are favorable.

35-235 O - 84 - 63

The SFC is not the appropriate agency to direct such a comprehensive R & D effort. There is not enough flexibility in the Energy Security Act to allow the SFC to conduct an effective synfuels R & D program. The mission and goals of the Act focus almost exclusively on commercialization and production. The Corporation is basically an investment banking institution. There is no mandate for the SFC to perform the data collection and analyses which are integral to any comprehensive R & D program.

For example, it was previously noted that there are substantial environmental uncertainties surrounding the development of large-scale synfuels facilities. The resolution of these uncertainties requires an extensive and coordinated research and monitoring program. The SFC's responsibilities do not extend to health and environmental R & D, and while the Corporation is responsible for ensuring development of environmental monitoring programs, its monitoring guidelines fail to ensure that such programs will be sound and comprehensive.

Moreover, the poor management and general disarray which has plagued the SFC does not inspire confidence in its ability to administer such a program.

It is inefficient to spend the time and resources needed to restructure the SFC to meet a new synfuels development strategy when existing agencies are already organized to conduct R & D efforts. The EPA and DOE have the technical experience and quali-

fied personnel needed to jointly perform the type of research and analyses required.

There is no question that world supplies of oil and gas are diminishing, and that the oil glut and its corresponding low prices which we currently enjoy will not last forever. However, the current international energy supply situation can hardly be characterized as being of crisis proportions. The issue is not so much where our energy supplies are located as the reliability and cost-effectiveness of those sources of supply. As a result of major finds and production increases domestically and in other nations, the United States has been able to diversify its sources of petroleum imports and reduce its dependence on Middle Eastern sources.

This situation should not instill a false sense of security, nor should it justify a return to the consumption habits of the 1970's. Niether, however, does it demand that Americans bear the enormous expense and environmental problems associated with the current rapid commercialization program for synthetic fuels.

The current international energy supply situation provides a fortunate opportunity for this nation to develop a rational energy policy - one which allows for an evenly-paced development of alternative technologies, including synfuels, so that Americans will have cost-effective, reliable, and environmentally safe energy alternatives in the future.

The CHAIRMAN. Further questions will be submitted, and the responses will be made a part of the record.

Thank you very much for your testimony.

[Subsequently, the following questions were submitted to Mr. Noble. The answers appear in appendix VI.]

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C., February 14, 1984.

Hon. EDWARD E. NOBLE,
Chairman of the Board,
U.S. Synthetic Fuels Corporation,
Washington, D.C.

DEAR MR. NOBLE: On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1985.

In connection with your testimony before the Committee on February 9, 1984, enclosed are questions for the record. Your response by close of business Thursday, February 23, 1984, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

JAMES A. MCCLURE, *Chairman.*

Enclosures.

QUESTIONS SUBMITTED TO CHAIRMAN NOBLE, U.S. SYNTHETIC FUELS CORPORATION

Questions 1-5, submitted by Majority.
Questions 6-7, submitted by Senator Warner.
Questions 8-17, submitted by Senator Heinz.
Questions 18-20, submitted by Senator Evans.
Questions 21-28, submitted by Senator Bumpers.
Questions 29-43, submitted by Senator Ford.
Questions 44-54, submitted by Senator Bradley.
Questions 55-60, additional questions submitted by Minority.

QUESTIONS FOR SFC CHAIRMAN EDWARD NOBLE

QUESTIONS SUBMITTED BY MAJORITY

A. General

1. The President's proposed budget for Fiscal Year 1985 anticipates that the SFC will obligate approximately $10 billion in fiscal year 1984 and the balance will be obligated in Fiscal Year 1985. How do you propose to achieve on time the President's proposed award schedule?

2. When does the SFC plan to submit the Comprehensive Strategy as required by section 126 of the Energy Security Act?

3. Mr. Noble, will you please bring us up to date on the status of filling Board and senior staff vacancies?

4. Please comment on the reported SFC use of "safehouses" to store information on individual projects. What are they and how are they employed?

5. As reported in the press, Chairman Noble requires psychiatric test for certain employees. Is this the case and, if so, why?

QUESTIONS SUBMITTED BY SENATOR WARNER

6. Recently the Senate Subcommittee on Energy and Mineral Resources held three hearings on reintroducing coal as a fuel for the nation's railroads locomotives. Testimony received indicated that while this reintroduction would bring about enormous savings, there was great reluctance on the part of the railroad industry to convert due to the enormous capital expenditures that would have been incurred to utilize on unproven technology.

The railroad industry is looking for aid and support in testing the coal prototype engine and the coal-derived fuel that the engine would use.

Subsequent to the hearings, our staffs have discussed what assistance the Synthetic Fuels Corporation may be able to provide to encourage private industry to go forward expeditiously with the fuel and the engine.

What guidance can you provide on how we should proceed with this initiative?

7. February 8 I met with the United Mine Workers International, President, Richard Trumka and some members of the UMW Board. They expressed their concern over the apparent lack of substantive movement in this country's synthetic fuels program. They indicated that after initial announcements in the late 70's of synthetic fuel projects, it was their opinion that very little progress has been made towards an overall synthetic fuel strategy. I share their concern that the U.S. is not fully utilizing its greatest domestic natural resource—coal—in our efforts to move towards energy independence. Greater use of America's coal will put miners back to work and reduce our balance of payments problem.

Could you outline your efforts to increase the production and utilization of Eastern Coal through your synthetic fuels program?

QUESTIONS SUBMITTED BY SENATOR HEINZ

Mr. Chairman, in your prepared testimony before the energy and Natural Resources Committee, you assert (on page 8) that any attempt to alter SFC funding or limit its authority would "*halt the development of coal projects* (emphasis supplied)."

With regard to that conclusion, I have the following questions:

8. What specific restrictions on funding would cause this result?

9. What specific restriction on SFC authority would cause this result and why?

10. What authority does the SFC now exercise, apparently to the benefit of coal projects, which could henceforth be limited so as to dramatically affect the viabililty of these projects?

11. Why is coal specifically noted as the project type which would be completely halted by unspecified restrictions in SFC funding or authority?

12. Under the statutory authority vested in the SFC, how could the fourth solicitation (expected in late March) be structured so as to enhance the development of coal which has to date enjoyed a disproportionately small success rate in the project solicitation history?

13. What legislative actions would you recommend, referring to the 1983 annual report of the SFC, to enhance the opportunities for coal projects to so qualify for future SFC solicitations?

14. Does the SFC prioritize, or rank, synthetic fuels projects by type (i.e., oil shale, peat, coal, etc.) so as to result in coal projects suffering so dramatically from funding or authority restrictions?

15. If the answer is yes, on what basis is this done, and who does the SFC rank coal in such a position?

16. With reference to the SFC recommendations for legislation in its 1983 annual report (page 18), would the enactment of legislation enhancing the tax credits for "semiworks" (plants larger than initial pilot plants but smaller than commercial plants) facilitate development of coal-based projects?

17. What specific strategy, and anticipated actions, does the SFC propose to encourage development of more coal-based synthetic fuels projects?

QUESTIONS SUBMITTED BY SENATOR EVANS

18. There seems to be a striking lack of coordination of the overall activities on alternative energy R&D among the various departments, agencies, and quasi-autonomous corporations of the federal government. R&D in breeder reactor systems, solar and renewables, synfuels, as well as conservation activities are not coordinated in any systematic way to achieve the maximum effect for each dollar spent.

While I am aware of the intent of the legislation establishing SFC to separate it as much as possible from other federal agencies, I feel that there is an acute need for greater coordination of all the various activities.

(a) Please explain (briefly) your view of SFC's particular role in the overall alternative energy R&D efforts of the U.S. government;

(b) If there were to be strengthened coordination of activities, where specifically do you see it taking place given the current institutional arrangements? (although not confined to them)

19. For energy conservation activities, one can develop criteria by which to measure the impact of federal expenditures. For example, the program of local assistance for schools and hospitals administered by DOE estimates that a one-time Federal investment of one dollar results in a reduction in school and hospital energy costs of $6.20 over a ten-year period (based on current energy prices). The SFC seems to be

investing (or planning to award) great sums of money, but getting a very low return on its initial investments ($120 million in FY 1983 and an estimated $10.3 billion in FY 1984).

What specific criteria are you using (in terms of energy production created per dollar of investment) to justify the specific investments that you have approved?

20. There was no mention of environmental guidelines in your prepared statement regarding any of the synfuel technologies. Please specify, by type of technology, what sort of pollutants are generated. What environmental guidelines are applied to the projects that are receiving assistance or are about to receive assistance (Cool Water, Parachute Creek, etc.)?

QUESTIONS SUBMITTED BY SENATOR BUMPERS

21. Please provide the following information concerning the status of projects for which the Corporation has signed letters of intent and for the projects with which the Corporation is negotiating: Participants; technology involved; anticipated beginning and end of construction; anticipated output, expressed in barrels per day of oil equivalent; anticipated cost of the plant; estimated cost of the product; amount of support promised, anticipated, or requested (whichever is applicable); and anticipated lifespan of the project.

22. Do the companies involved currently have the rights to use all processes which they anticipate using?

23. What effort is the Corporation undertaking to make sure that the projects' working conditions will be safe? What effort is the Corporation making to make sure that the projects' will suitably protect the environment? That is, what work hazards exist at each project and what has the Corporation done to make sure that they are removed? What environmental hazards exist with each project and what has the Corporation done to remove them or make sure that they are removed?

24. The Corporation's Annual Report indicates that the Corporation has undertaken an outreach effort and that it has made "programmatic decision" to emphasize Western shale and coal. Was this effort made necessary by a paucity of proposals using these resources?

25. Does the Corporation have any projections concerning the future price of oil? Does it agree with the projections suggested by Secretary Hodel?

26. Are any of the projects for which letters of intent have been signed research and development projects? Are any of the projects which are now being negotiated research and development projects? What criteria do you use to determine this status?

27. Does the Corporation have any doubts whether it should be proceeding to award financial assistance in light of falling oil prices? Will this factor influence the Corporation in its comprehensive strategy?

28. What are the advantages of delaying your report on a comprehensive strategy? What are the disadvantages, especially concerning Congress' need to reduce budget deficits?

QUESTIONS SUBMITTED BY SENATOR FORD

29. How many synthetic fuel projects have actually completed negotiations for financial incentives?

30. How many letters of intent have been signed or proposed by the SFC and for which projects?

31. The SFC has a number of applications pending and in various stages of analysis. Understanding that you are not able perhaps to tell us which of those projects may eventually be funded, would you give the Committee an idea of the total amount of obligations the Corporation may commit to by the end of this year?

32. The Energy Security Act, which authorized the Synthetic Fuels Corporation, contemplated—as a goal—that by 1987 the U.S. would be capable of producing 500,000 barrels per day of synthetic fuels. In your judgement, how much synthetic fuel capacity will we have available by that time?

33. Is it not true, in fact, that the majority of proposals currently before the Corporation are much smaller in size than the 20,000 barrels of oil equivalent per day capacity originally envisioned?

34. Your annual report noted that the "process development" stage, that is the stage between proof of concept or R&D and commercialization, is not supported by the DOE nor the SFC. Does the SFC have authority to fund projects in this "process development" stage?

35. Is it not true that except for the large number of applications pending, we can point to very little demonstrated progress in the development of technologies to use coal?

36. Is it not also true, based upon your experience since the initial solicitation, that of all the applications for coal projects pending before the SFC today there is no assurance that, for reasons of cost, technology risk, etc., any of these projects will ever be built?

37. There are a number of technologies, including advanced coal preparation techniques, fluidized bed combustion boilers, even second generation scrubbers which appear to be ready for process development or commercialization. We have this huge domestic resource; we have no assurance that the private marketplace, even with the possible assistance of the SFC, will plunge into the development of gaseous or liquid fuels derived from coal; indeed, experience indicates the marketplace is not ready to do so; does the SFC have authority to *also* assist in the development of technologies that burn coal directly?

38. Isn't it true that coal constitutes 75 percent of our domestic energy resources?

39. A purpose of the Synthetic Fuels Corporation was to assist in the commercialization of technologies to convert our domestic coal into more useable forms of energy. Haven't world economic conditions over the last three years made it difficult to commercialize technologies that transform coal into gases and into liquids that can be used in our transportation sector?

40. I am convinced that there is a vast market in this nation for coal that can be burned more cleanly to comply with the Clean Air Act. Does the SFC have the authority to fund the commercialization of technologies that allow our domestic coal to be burned more cleanly without being transformed into gases or liquids?

41. Are there in existence today technologies for coal cleaning, coal combustion, and post-combustion cleanup that, if commercialized, will allow more domestic coal to be burned within the requirements of the Clean Air Act? [1]

42. When these technologies become commercially available to our country's utilities and industries, won't we then be well on the road toward reducing our level of emissions from coal burning?

43. Doesn't it make sense, then, for the nation to pursue the commercialization of these technologies at the earliest possible date?

QUESTIONS SUBMITTED BY SENATOR BRADLEY

44. Programmatic Strategy: Mr. Noble, there seems to be a great deal of confusion surrounding the SFC's plans for awarding assistance to projects. Let's review:

In testimony before the Senate Energy and Natural Resources Committee in 1982, you expressed the hope of granting up to $4.5 billion in awards in 1982. None were made.

Before several committees in 1983, you outlined plans to assist approximately 6 projects in FY 83 at a cost of $6.0 billion, and 6 projects in FY 84 at a cost of $7.2 billion. In fact, you wrote to Senator McClure and stated that "Overall, the Corporation believes this to be a wholly possible outcome." Yet, only one award of $120 million was made in FY 83, and no awards have been made one-third of the way through FY 84.

In December, several papers and trade journals cited several Board members as predicting that the SFC would make $10 billion in awards in 1984, and then close up shop. Recently you denied these reports.

Given all of these varying projections, what is the SFC's real strategy and plans for awards? How much do you expect to commit in 1984?

(a) Is this the same justification you gave last year to explain the lack of awards at that time? Are the projections you are now making any more credible than previous ones? Also, if you can only give out $120 million in three years how can you expect to responsibly give out $10 billion or more in less than a year?

45. Great Plains Project: Mr. Noble, it is my understanding that in 1981 the Great Plains Gasification Project originally received a special rate ruling from the Federal Energy Regulatory Commission which allows it to employ a formula for its gas which today yields about $6 to $6.25 per MCF. Is this correct?

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[1] The most promising near term technologies for cleaner coal use are: advanced coal washing, fluidized bed combustion, LIMB (lime injection, multi-stage combustion), and advanced scrubbers. In the longer term, combined cycle gasification systems are among the more promising emerging technologies.

(a) Isn't it also true that since April, the sponsors of the project have been claiming that they need price supports in addition to this pricing formula, or they will be forced to abandon the project?

(b) Now, isn't it also true that when the project sponsors applied to the SFC for price guarantees, your financial section produced a memo which determined that the project sponsors still hadn't made the case that they needed additional assistance?

(c) But isn't it also true that within a month of having submitted this observation to Congressman Synar and having told Great Plains to first seek legislative release from Congress, the Board decided to design a special solicitation for Great Plains? What was the reason for the change? Also, isn't it true that Great Plains is requesting a price support of almost $7.75 per MCF for its gas?

46. Mr. Noble how do I explain such a government handout to my constituents and the natural gas producers who have to cap wells because they can't get $3.50 to $4 for their gas?

47. Mr. Noble it is also my understanding that Tenneco, a 30 percent partner in the Great Plains Project, is also a 50 percent partner in the Cathedral Bluffs Oil Shale Project, which recently received a Letter of Intent offering up to $2.19 billion in price supports. My question is this—how can the SFC be sure that Tenneco is really committed to the Cathedral Bluffs Project when it is threatening to abandon the Great Plains Project?

48. Diversity: Mr. Noble, we all appreciate the fact that the production and diversity goals of the Energy Security Act can be almost contradictory at times. In testimony before the House Economic Stabilization Subcommittee last May, you said "We have emphasized diversity over the production goals as a better means of obtaining long-term potential production."

As you know, the Union Oil Shale Project received a $400 million price guarantee for its retort in Colorado. Since that time, the SFC has signed Letters of Intent totaling $4.8 billion with two oil shale projects. One project is an expansion of Union's oil shale project, which will basically employ the same technology as the first module. The other project also employs the Union technology for 83 percent of its total production.

In addition, this summer the SFC granted $120 million in price guarantees to a project utilizing a gasifier which is identical to one that was recently put into commercial operation by Eastman Kodak. The only difference is that Kodak used its own money to build the project.

Is this a sign that nothing else is ready? If so, do we need to spend $15 billion on two technologies?

(a) Does the Union award imply that the SFC has noting else to fund but improvements in technologies which have already been subsidized? When is the private sector supposed to get in the act and take over the synfuels industry? Also how do you further the diversity goal of the SFC by concentrating on the same technologies?

49. SFC solicitations: Mr. Noble, the SFC initially issued three general solicitations, under which any type of project could apply for assistance. Last year you testified that the SFC was moving away from those types of solicitations and planned to issue solicitations targeted to specific technologies and feedstocks, saying "In talking to project sponsors and examining the results of the ongoing general solicitations, the Board determined that targeted solicitations would be the more efficient means of completing this desired project slate. Targeted solicitations provide sponsors greater specificity as to the Corporation's requirements and available level of assistance and greater flexibility in their project development schedules."

Response to the targeted solicitations has been slim at best.

A Western Oil Shale solicitation drew only 4 qualified bids, three of those did not even respond to the next submission deadline, and the 4th respondent was disqualified.

Only one project responded to the Gulf Coast lignite solicitation, and it also did not satisfactorily respond to requirements for additional technical information.

The bituminous coal solicitation drew only three qualified bidders.

Now the Board has decided to issue another general solicitation.

Why the sudden reversal to another general solicitation after telling Congress that the targeted solicitations would be more effective in drawing qualified projects? Is this a sign that there may not be anything really new or better out there?

50. Comprehensive strategy: Mr. Noble, according to the Energy Security Act, the SFC must submit a Comprehensive Strategy to Congress on June 30, 1984. I know that in past testimony you have always cited this as a primary responsibility of the SFC. Yet, the SFC's 1983 Annual Report contains only a half page discussion of this

strategy, and implies that the SFC may request a delay in the submission date. Is this true?

(a) June 30 is 5 months away. Given all the attention the SFC has already devoted to this document, shouldn't you already have some idea of whether or not you are going to meet the deadline? Furthermore, what would be the advantage of such a delay? How many more projects would you expect to be on line in March 1985 than will be on line in June 1984?

51. In May, 1983 the SFC's Vice-president for Planning resigned. A new one was hired in July. Now he has resigned, too, and indications are that a replacement will not be hired. Doesn't this disrupt efforts to put together a comprehensive strategy document, especially if you need a delay in order to gather more information?

52. How much do you intend to spend on consultant fees in preparing the Comprehensive Strategy?

53. Production goals: Mr. Noble, the Energy Security Act (ESA) established production goals of 500,000 barrels per day by 1987 and 2 million barrels per day by 1992. A recent Congressional Research Service study concluded that achieving a production total of 30,000 to 50,000 barrels per day by 1987 would be "a major technological and economic achievement." Do you agree with such an estimate?

(a) Let's not talk about production capability but rather talk about production. For the $15 billion it can commit—and may have to pay out—the American taxpayer can expect a production total of 70,000 barrels per day, is that correct?

54. Now, when the SFC appeared before the House Interior Appropriations Subcommittee last year, former Executive Vice-President Jimmie Bowden testified that the cost of achieving the 1992 production goal of 2 million barrels per day would exceed $150 Billion—almost the equivalent of our current national deficit.

Would you still agree with that cost projection?

ADDITIONAL MINORITY QUESTIONS

55. Will SFC send Congress the Comprehensive Strategy on schedule at the end of June, or will you seek to defer its submission?

56. Are you and the SFC Board convinced that the U.S. should have a synfuels program? Should it be run by SFC or some other way?

57. Are you and the SFC Board convinced that the projects you will have underway at the end of the first phase of SFC's program will achieve the statutory goal of diversity of technology and resource base?

58. What are you doing about all the vacant senior management positions at SFC? Will they be filled, abolished, or what?

59. There are widespread rumors that the President intends to prevent SFC from functioning by not filling vacanacies on the Board. Mr. Masson's term expired last August and he cannot serve past this August. Mr. Monks has resigned. Mr. Carter's term expires in August. At that time one resignation would leave the Board with only 3 members and it would be unable to act. Would you are to comment?

60. Are you concerned about conflict of interest or, at the very least, the appearance of a conflict of interest created by Mr. Wilkins and Mr. Masson actively engaging in fundraising and campaign work for President Reagan?

The CHAIRMAN. For the first time, the budget submission includes in it the expectation that these moneys will be obligated which I think flies in the face of rumors that perhaps there is a hidden agenda. Thank you.

Our next witness will be the Honorable John B. Crowell, Jr., Assistant Secretary, U.S. Department of Agriculture. Mr. Crowell, you may come forward and take the chair, please.

Your entire prepared statement will be placed in the record in full and you are invited to comment and summarize.

STATEMENT OF JOHN B. CROWELL, JR., ASSISTANT SECRETARY, DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY J. LAMAR BEASLEY, DEPUTY CHIEF, PROGRAMS AND LEGISLATION, FOREST SERVICE, DEPARTMENT OF AGRICULTURE

Mr. CROWELL. Thank you, Mr. Chairman. I welcome the opportunity to appear before you today to discuss the fiscal year 1985

budget for the Forest Service, and I am accompanied by J. Lamar Beasley, Deputy Chief for Programs and Legislation.

In his state of the Union address, the President again emphasized the need to bring our mounting Federal deficits under control by limiting the size and scope of Government. He has pledged support of the administration for a bipartisan effort to reduce Federal deficits by $100 billion over the next 3 years.

To help achieve this goal, the 1985 budget for the Department of Agriculture is austere. Substantial budget savings are proposed for the rural development programs. Most other program areas are reduced or held to fiscal year 1984 funding levels. Program level, the total financial value of benefits provided to the public by USDA, including loans as well as direct program expenditures, is being reduced about 10 percent from 1984.

FOREST SERVICE FISCAL YEAR 1985 BUDGET SUMMARY

The fiscal year 1985 program level proposed in the Forest Service budget is just over $2 billion, a $26 million increase over the fiscal year 1984 current estimate. This total includes an $80 million increase in payments to States. Even though spending for the on-the-ground programs is not being increased, receipts generated from Forest Service lands are expected to increase nearly 20 percent. This is primarily because we anticipate improved rates of harvesting timber under contract and rising income from oil and gas leases. It reflects both improvement in the economy and efforts of this administration to bring the American people a return from the public lands, including the national forests.

Before I discuss highlights of the Forest Service budget, my statement deals with a number of ancillary issues—land management, litigation, proposed recreation fee legislation, proposed payments to States legislation, and the draft 1985 RPA program update. I want to highlight two of these in my summary of my statement if I might.

RECREATION FEE LEGISLATION

I am talking first about recreation fee legislation. During the past several years there has been discussion about increasing revenues from National Forest System recreation fees to help close the gap between Forest Service costs of providing recreation opportunities to the public and the amount of fees currently collected from recreation users.

New legislation is necessary if revenues from recreation use are to be materially increased. The primary authorization for collection of recreation fees on the National Forest System is the Land and Water Conservation Fund Act of 1965, as amended. Under this act, the Forest Service collects recreation use fees for developed campsites which meet specified standards for boat launching sites with mechanized boat lifts and for other specialized recreation site facilities, equipment, and services.

Special recreation permits may be sold for group activities, motorized recreation vehicles, and other specialized uses. Admission fees are not currently charged for entrance to any national forest areas. Recreation fees also come from recreation special uses such

as ski areas and recreation residences. These are collected under the Organic Act of 1897 and Occupancy Permits Act of 1915.

The 1985 Forest Service budget proposal includes a projected increase of $25 million in revenues from recreation user fees. We are still reviewing the draft legislation, but anticipate that the proposal will include limited authority to charge admission fees in congressionally designated recreation areas and relaxation of the present restrictions on facilities for which user fees may be charged.

The proposals would not change or affect the present method or authority used for recreation special uses such as ski areas or recreation residences.

Over the past couple of years, possible legislation has been discussed with various interests and recreation user groups. We are continuing these discussions and plan to complete a proposal and transmit it to Congress in the near future.

PAYMENTS TO STATES LEGISLATION

The second subject I want to talk about specifically is the question of legislation dealing with proposed payments to States.

Existing authority requires payment of a portion of the gross receipts from activities on National Forest System lands to the States in which such lands are located. Forty States and Puerto Rico received a total of $193 million based on receipts at the end of fiscal year 1983. In February, an additional estimated $11 million will be distributed to counties based on calendar year 1983 receipts from the national grasslands and land utilization projects.

Five acts dating from 1908 require that a percentage of receipts be paid to the States or counties for the benefit of those areas affected by the presence of these Federal lands. A provision of the act of May 23, 1908, as amended, the predominant authority, requires payment to the States of 25 percent of receipts in each fiscal year from each national forest to be used as prescribed by the State legislature for the benefit of public schools and public roads in the counties where the national forests are located.

Similar provisions are found in the 1911 Weeks Law and the Bankhead-Jones Farm Tenant Act of 1937. These existing revenue sharing programs are intended to compensate local governments for property tax immunity of Federal lands. Payments made to the State of Minnesota, pursuant to Public Law 95-495, for three counties in that State which contain lands of the Superior National Forest are an exception to this approach. These payments are made on the fair appraised value of those lands.

Now two amendments to the authorizing statutes have occurred since 1976. These amendments expanded the definition of "moneys received." One amendment dealt with purchaser credits and the other with KV deposits—deposits made by purchasers under the Knutson-Vandenberg Act for reforestation.

The amendments treated both purchaser credits and KV deposits as receipts, which the latter are but the former are not. Purchaser credits are not receipts.

Forest Service timber sales are bid as though needed main roads in the contract were already in place. When, in fact, specified roads

have not been built or require reconstruction, the purchaser incurs the cost of building or reconstructing the roads and is then reimbursed the amount of a contractually provided credit. If it were not for this arrangement, the Government would incur a cost through outlay of appropriated funds to have the road built or reconstructed. Purchaser credit, therefore, is no more a receipt than are the purchaser's costs for felling the trees, bucking them into logs, yarding them to a landing, and loading them unto a truck.

In fact, the whole question of revenue sharing under the 1908, 1911, and 1937 acts needs to be examined. Payment to the States of 25 percent of gross receipts, with no deduction for Forest Service-incurred costs in developing those receipts, leaves little or no likelihood that any profit can ever accrue to the owners of the national forests, the taxpayers of the United States.

Revenue sharing based on gross receipts is a method of payment which is inequitable to the Federal Government and which also can be inequitable to the States. When compared to what States would receive if the lands were taxed on an ad valorem basis, some are overpaid while others are underpaid. Thus, the administration will be proposing legislation that, at a minimum, will remove from the law the illogicality of counting purchaser credits as part of the receipts to the Government on which revenue sharing with the counties is computed.

The Department of Agriculture has been considering the impact of various alternatives on State payments. We plan to complete this analysis and to develop a specific proposal in the near future.

We expect to solicit public opinion on a proposal before it is completed and sent forward.

PROGRAMS GENERATING RECEIPTS

Now turning to the specifics of the 1985 budget for the Forest Service, I would first like to explain our proposal for the timber, minerals, and recreation programs which now generate, or have potential over several years to generate, revenues that equal or exceed program costs.

As I have often stated, the national forest system is a tremendous asset which can contribute directly to national economic well-being. National forests contain over 50 percent of the Nation's present standing softwood sawtimber supply and an estimated 25 percent of the potential domestic energy resources of oil, gas, coal, and geothermal steam. There are also important deposits of strategic minerals.

In fiscal year 1984, total Forest Service receipts are expected to be $1.3 billion, growing to $1.6 billion in 1985. The portion of the 1984 receipts coming from the Forest Service timber program is expected to be over $1.1 billion, growing to $1.3 billion in 1985. In addition, mineral receipts are expected to increase by about $11 million during the same period.

Resources on national forest system lands will continue to be used wisely to meet public needs. It is a basic principle that the productivity of the land will be protected in all Forest Service programs. We are also placing greater emphasis on the compatibility among resource uses such as timber, recreation, fish, and wildlife.

We are dedicated to the principle that, as part of the planning and decisionmaking process there must be careful consideration of the environmental, economic, and social impacts of Forest Service resource management activities.

TIMBER SALES PROGRAM

The fiscal year 1985 budget calls for a sales level and anticipates a harvest rate of 11.2 billion board feet. We anticipate that despite the 5-year extension policy some volumes will be defaulted. Thus, we anticipate a 1985 probability of reoffering 200 to 400 million board feet from defaulted sales. These reofferings would be in addition to the 11.2 billion board feet of new sales.

The budget also includes funds for advance work on sales to be offered after fiscal year 1985. The administration's current economic assumptions expect 1.7 million housing starts in fiscal year 1984, rising to 1.9 million in fiscal year 1985, and approaching 2 million housing starts in fiscal year 1987.

MINERALS PROGRAM

The budget for the minerals program is $29 million. This is about a 14-percent increase above the 1984 appropriation. The increase recognizes the high rate of return from receipts generated by the program. The increase will continue the development of oil and gas resources, strategic minerals, and geothermal energy from the national forests.

RESEARCH

There are two other program areas I would like to discuss in these highlights. The first is research. The 1985 budget for forest research is $103.1 million—5 percent less than the 1984 appropriation. This decrease continues to reflect the administration's objective to improve efficiency and reduce costs. Actions planned in 1985 to help achieve these objectives include closing two research locations, terminating an additional 11 research work units, and eliminating 100 to 150 full-time equivalent employees at those facilities and at other laboratories that would continue operation.

Again, we are proposing to give a higher priority to work on acid precipitation. In other areas, we will delay or terminate the least important work rather than make drastic changes in the emphasis given to broad programs.

STATE AND PRIVATE FORESTRY

The other program area I want to comment on is State and private forestry. The fiscal year 1985 budget, for State and private forestry is $25.5 million—a reduction of some 58 percent from the 1984 appropriation. The forest pest management program will be $15.5 million, which is about 47 percent less than the 1984 appropriation.

The policy of suppressing pests on Federal lands only, which was proposed in the fiscal year 1984 budget, is again proposed for fiscal year 1985. All grants to the State forestry departments will be terminated except for the $3 million annual grant to the State of Min-

nesota to be used for forestry, which will enhance the local job opportunities that were diminished by congressional enlargement of the Boundary Waters Canoe Area in 1978.

The reduction in funding again proposes substantial changes in the Federal relationship in trying to improve management of forested lands in nonindustrial, private ownership. Instead of cost sharing for various protection, management and technology transfer activities, the Federal role will be more limited and more specifically directed at issues of national importance. The Forest Service will continue to provide technical assistance in many areas and to collect national data.

Mr. Chairman, we will be glad to respond to any questions you may have.

[The prepared statement of Mr. Crowell follows:]

STATEMENT OF
JOHN B. CROWELL, JR., ASSISTANT SECRETARY
U.S. DEPARTMENT OF AGRICULTURE

Before The Senate Energy And Natural
Resources Committee

February 9, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I welcome the opportunity to appear before you today to discuss the FY 1985 budget for the Forest Service. I am accompanied by J. Lamar Beasley, Forest Service, Deputy Chief for Programs and Legislation.

In his State of the Union Address, the President again emphasized the need to bring our mounting Federal deficits under control by limiting the size and scope of government. He has pledged support of the Administration for a bipartisan effort to reduce Federal deficits by $100 billion over the next three years.

To help achieve this goal, the 1985 budget for the Department of Agriculture is austere. Substantial budget savings are proposed for the rural development programs. Most other program areas are reduced or held to fiscal year 1984 funding levels. Program level, the total financial value of benefits provided to the public by USDA including loans as well as direct program expenditures, is being reduced about 10 percent from 1984.

The fiscal year 1985 program level proposed in the Forest Service budget is just over $2 billion, a $26 million increase over the Fiscal year 1984 current estimate. This total includes an $80 million increase in Payments to States.

Even though spending for on-the-ground programs is not being increased, receipts generated from Forest Service lands are expected to increase nearly 20 percent. This is primarily because we anticipate improved rates of harvesting of timber under contract and rising income from oil and gas leases. It reflects both improvement in the economy, and efforts of this Administration to bring the American people a return from the public lands.

Before I discuss highlights of the Forest Service budget, I think it is necessary to cover a number of ancillary issues: land management litigation; proposed recreation fee legislation; proposed payments to states legislation; and the draft 1985 RPA Program update.

Land Management Litigation

In my testimony of a year ago, I discussed some of the implications of the October 1982 decision in State of California vs. Block by the United States Court of Appeals for the Ninth Circuit. That decision upheld a lower court ruling that the nationwide environmental impact statement prepared as part of the RARE II recommendations was legally inadequate. I noted the serious implications of the decision and discussed the alternatives -- Congressional resolution through enactment of wilderness legislation with sufficiency language, or administrative resolution through land management planning.

Our reevaluation of roadless areas through the planning process is proceeding, but it is necessary to report that this has been disruptive to our ability to initiate or continue multi-year projects dependent on future land allocation decisions.

The four final forest land management plans issued to date all have been challenged administratively; it is likely that some of them may be further appealed to the courts once administrative remedies have been exhausted. Moreover, the Oregon Natural Resources Council has filed a suit seeking to stop all ongoing or planned activities which might eventually change wilderness characteristics of approximately 2.2 million acres of Oregon roadless areas allocated to nonwilderness by RARE II. Only 368,000 acres of the approximately 3 million acres studied in RARE II were recommended for wilderness. On March 21, 1983, the House passed H.R. 1149, which includes 1.2 million acres on which the Forest Service has delayed new activities, except for contracts already let. Plaintiffs in the lawsuit seek to halt activity on all RARE II nonwilderness lands, not only those included in H.R. 1149. They are relying on the Ninth Circuit decisions and the resulting absence of an adequate environmental impact statement for treating the roadless areas as available for such activities.

We are fast arriving at a point on some national forests where the Forest Service will not be able to meet targets set out in appropriations acts for timber sales, mineral exploration and development, hydroelectric projects, range and wildlife habitat improvements, and fuelwood projects by concentrating on those activities in already roaded areas. We need to make the areas proposed for nonwilderness on these forests available for management.

Proposed Recreation Fee Legislation

Background

During the past several years, there has been discussion about increasing revenues from National Forest System recreation fees to help close the gap between Forest Service costs of providing recreation opportunities to the public and the amount of fees currently collected from recreation users. New legislation is necessary if revenues from recreation use are to be materially increased.

The primary authorization for collection of recreation fees on the National Forest System is the Land and Water Conservation Fund Act of 1965, as amended. Under this act, the Forest Service collects recreation use fees for developed campsites which meet specified standards, for boat launching sites with mechanized boat lifts, and for other specialized recreation sites, facilities, equipment, and services. Special recreation permits may be sold for group activities, motorized recreation vehicles, and other specialized uses.

Admission fees are not currently charged for entrance to any National Forest areas.

Recreation revenues also come from recreation special uses such as ski areas and recreation residences. These are collected under the Organic Act of 1897 and Occupancy Permits Act of 1915.

The 1985 Forest Service budget proposal includes a projected increase of $25 million in revenues from recreation user fees. We are still reviewing the draft but anticipate that the proposal will include limited authority to charge admission fees in Congressionally designated recreation areas and relaxation of the present restrictions on facilities for which user fees may be charged. The proposal would not change or affect the present method or authority used for recreation special uses such as ski areas or recreation residences. Over the past couple of years, possible legislation has been discussed with various interests and recreational user groups. We are continuing these discussions and plan to complete a proposal and transmit it to Congress in the near future.

Proposed Payments to States Legislation

Existing authority requires payment of a portion of the gross receipts from activities on National Forest System lands to the States in which such lands are located. Forty States and Puerto Rico received a total of $193 million based on receipts at the end of fiscal year 1983. In February, an additional estimated $11 million will be distributed to counties based on calendar year 1983 receipts from National Grasslands and Land Utilization projects. Five Acts, dating from 1908, require that a percentage of receipts be paid to the States or counties for the benefit of those areas affected by the presence of these Federal lands. A provision of the Act of May 23, 1908, as amended, the predominant authority, requires payment to the States of 25 percent of the receipts in each fiscal year from each National Forest to be used as prescribed by the State legislature for the benefit of public schools and public roads in the counties where the National Forests are located. Similar provisions are found in the 1911 Weeks Law and in the Bankhead-Jones Farm Tenant Act of 1937.

These existing revenue sharing programs are intended to compensate local governments for property tax immunity of Federal lands. Payments made to the State of Minnesota pursuant to P.L. 95-495 (16 USC 577g), for three counties containing lands of the Superior National Forest are an exception to this approach. These payments are made on the fair appraised value of the lands.

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Two amendments to the authorizing statutes have occurred since 1976; these amendments expanded the definition of "moneys received". One amendment dealt with "purchaser credits" and the other with "KV deposits," deposits made by purchasers under the Knutson-Vandenberg Act for reforestation. The amendments treated both purchaser credits and KV deposits as receipts which the latter are, but the former are not.

Forest Service timber sales are bid as though needed main roads (specified roads) were already in place. When in fact specified roads have not been built, or require reconstruction, the purchaser incurs the cost of building or reconstructing the roads, and is then reimbursed the amount of a contractually provided credit. If it were not for this arrangement, the Government would incur a cost through outlay of appropriated funds to have the road built or reconstructed. "Purchaser credit", therefore, is no more a receipt than are the purchaser's cost for felling the trees, bucking them into logs, yarding them to a landing, and loading them onto a truck. If the Government sold logs on board trucks, the price would be higher than when trees are sold on the stump, but the higher price would be a recognition of the higher value accrued to the logs on board a truck; the net receipts--stumpage--to the Government would be unchanged.

In fact, the whole question of revenue sharing under the 1908, 1911, and 1937 Acts needs to be examined. Payment to the States of 25 percent of gross receipts with no deduction for Forest Service-incurred costs in developing those receipts leaves little or no likelihood that any "profit" can ever accrue to the owners of the national forests--the taxpayers of the United States. Revenue sharing based on gross receipts, is a method of payment which is inequitable to the Federal Government and which can also be inequitable to the States. When compared to what States would receive if the land were taxed on an ad valorem basis, some are overpaid while others are underpaid.

This concern was first raised in a 1979 General Accounting Office report. This report, which covered a broader array of Federal receipts-sharing programs than those administered by the Forest Service stated that these programs "...do not equitably serve the Congress' primary aim or rationale to reimburse States and counties for lost tax revenue and the economic burden of tax-exempt Federal land...".

Thus the Administration will be proposing legislation that, at a minimum, will remove from the law the illogicality of counting purchaser credit as part of receipts to the Government on which revenue sharing with the counties is computed. The Department of Agriculture has been considering the impacts of various alternatives on state payments. We plan to complete this analysis and to develop a specific proposal in the near future.

1985 RPA Program Update

On January 10, 1984, the Forest Service invited public comments on the draft environmental impact statement for the 1985-2030 Resources Planning Act Program. The draft will be used to update the program which helps to guide Forest Service activities. Those activities include cooperative assistance programs with states and private landowners, forest and range research, and management of the 191-million-acre national forest system.

This is the third such program prepared by the Forest Service to fulfill requirements of the Forest and Rangeland Renewable Resources Planning Act of 1974 (RPA). The first RPA program was developed in 1975 and it was updated in 1980.

RPA requires the Forest Service to develop a program for all its activities for the next four years and at least the next four decades, 1986-2030. Formulation of the RPA program is based on an assessment of future demand for and supplies of those resources and the productivity and efficiency of Forest Service programs in increasing supply. A 1984 supplement to the assessment prepared in 1979 indicates that demand for most products will rise more rapidly over the long term than supplies. Thus, it is anticipated that real prices for wood products and other outputs will be higher unless supplies increase or utilization improves more than expected. The draft program statement examines nine alternatives for Forest Service activities. The alternatives range from one substantially below the current level and mix of activities to several which are substantially higher for some or all resources. The alternative finally developed will represent our recommendations on the course for Forest Service programs beginning in fiscal year 1986.

1985 Budget

I would first like to explain our proposals for the timber, minerals, and recreation programs which now generate, or have the potential over several years to generate revenues that equal or exceed progam costs. As I have often stated, the National Forest System is a tremendous asset which can contribute directly to national economic well-being. National Forests contain over 50 percent of the Nation's present standing softwood sawtimber supply and an estimated 25 percent of the potential domestic energy resources of oil, gas, coal and geothermal steam. There are also important deposits of such strategic minerals as cobalt, tantelum, molydenum, and the platinum group metals. In fiscal year 1984 total Forest Service receipts are expected to be $1.3 billion growing to $1.6 billion in 1985. The portion of the 1984 receipts coming from the Forest Service timber program is expected to be over $1.1 billion, growing to $1.3 billion in 1985. In addition, mineral receipts are expected to increase by about $11 million during the same period.

Resources on National Forest System lands will continue to be used wisely to meet public needs. It is a basic principle that the productivity of the land will be protected in all Forest Service programs. We are also placing greater emphasis on the compatability among resource uses such as timber, recreation, fish and wildlife. We are also dedicated to the principle that, as part of the planning and decision making process, there must be careful consideration of the environmental, economic and social impacts of Forest Service resource management activities.

Timber

On July 28, 1983, the President directed adoption of an administrative remedy for the problem posed by large volumes of Federal timber under contract to purchasers at prices that are uneconomical in relation to wood product prices which have prevailed for several years. The Administration is making available without penalty or interest 5-year extensions of sales purchased between January 1, 1976 and January 1, 1982.

Purchasers wishing to extend sales must submit a multi-sale extension plan covering all their Federal timber contracts to the Forest Service by February 15, 1984. At this time it is too early to estimate accurately what effect the 5-year extension will have on the Forest Service timber program. The fiscal year 1985 budget is based on the assumption that some of the large volumes of timber under contract at high prices will be operated. The Forest Service anticipates it may have about 40 billion board feet under contract at the end of fiscal year 1984, 25 to 40 percent of it at possibly economically inoperable prices.

The fiscal year 1985 budget calls for a sales level and anticipates a harvest rate of 11.2 billion board feet. We anticipate that despite the 5-year extension policy some volumes will be defaulted. Thus, we anticipate a 1985 probability of re-offering 200 to 400 million board feet from defaulted sales. These re-offerings would be in addition to the 11.2 billion board feet of new sales.

The budget also includes funds for advance work on sales to be offered after fiscal year 1985. The Administration's current economic assumptions expect 1.7 million housing starts in fiscal year 1984 rising to 1.9 million in fiscal year 1985 and approaching 2 million in fiscal year 1987.

Minerals

The budget for the minerals program is $29 million. This is about a 14 percent increase above the 1984 appropriation. The increase recognizes the high rate of return from receipts generated by the program. The increase will continue the development of oil and gas resources, strategic minerals, and geothermal energy from the National Forests.

Recreation

The 1985 budget proposal for recreation use is $97.5 million, a 2 percent decrease from the amount appropriated for fiscal year 1984. The primary effect will be to shorten the season during which some campgrounds and other facilities will be open. The Forest Service will continue to emphasize its volunteer program to supplement appropriated funds in the operation and maintenance of these recreational facilities. Where feasible, private concessionaires are being encouraged to contract for management of the more developed facilities.

In the long run a greater share of the cost of providing recreational opportunities and services should be borne by the people actually receiving the benefits. The 1985 budget proposal contains an estimate of $52.9 million in receipts from recreation admission and user fees. Approximately half of this is associated with proposed legislation which I mentioned earlier.

There are two other program areas I would like to discuss in these highlights.

Research

The 1985 budget for Forest Research is $103.1 million, 5 percent less than the 1984 appropriation. This decrease continues to reflect the Administration's objective to improve efficiency and reduce costs. Actions planned in 1985 to help achieve these objectives include closing 2 research locations, terminating an additional 11 research works units and eliminating 100-150 full-time equivalents (FTE's) at those facilities and at other laboratories that would continue operation.

Again, we are proposing to give a higher priority to work on acid precipitation. In other areas we will delay or terminate the least important work, rather than make drastic changes in the emphasis given to broad programs.

State and Private Forestry

The FY 1985 budget for State and Private Forestry is $25.5 million, a reduction of some 58 percent from the FY 1984 appropriation. The Forest Pest Management program will be $15.5 million which is about 47 percent less than the 1984 appropriation. The policy of suppressing pests on Federal land only, which was proposed in the FY 1984 budget is again proposed for FY 1985. All grants to the State Forestry Departments will be terminated except for the $3 million annual grant to the State of Minnesota to be used for forestry which will enhance the local job opportunities diminished by Congressional enlargement of the Boundary Waters Canoe Area in 1978.

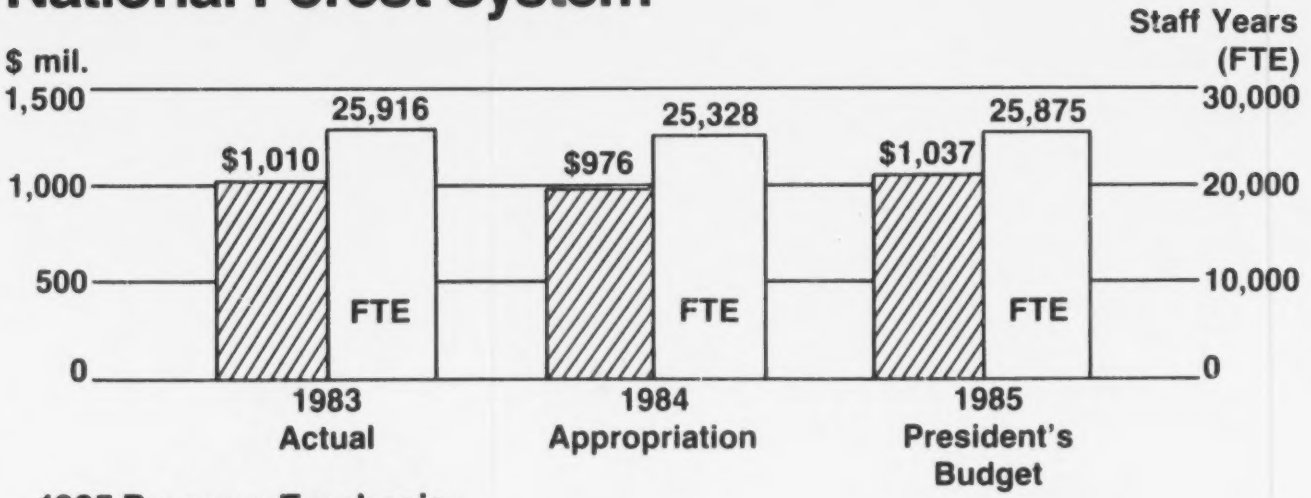
The reduction in funding again proposes substantial changes in the Federal relationship in trying to improve management of forested lands in nonindustrial private ownership. Instead of cost-sharing for various protection, management, and technology transfer activities, the Federal role will be more limited and more specifically directed at issues of national importance. The Forest Service will continue to provide technical assistance in many areas and to collect national data.

A National Forum on Nonindustrial Private Forest Lands was held October 31 - November 3, 1983 in St. Louis, Missouri. The Forum was successful in generating a diversity of views and in developing consensus on the key issues and the options for resolving them. The proceedings will be published in the near future. The results will provide a basis for further discussion with the various interest groups.

We will be glad to respond to any questions you may have.

Forest Service

National Forest System

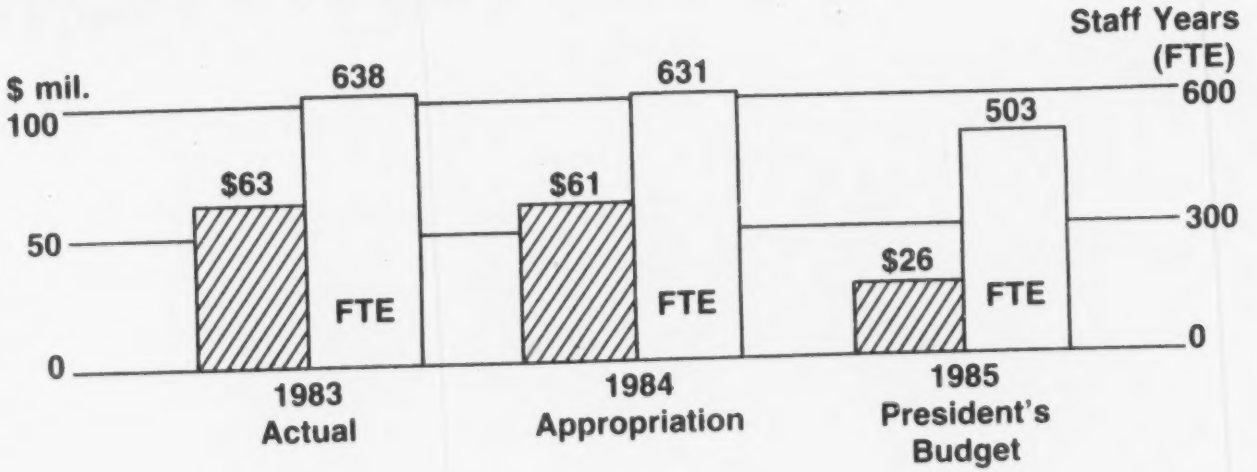


1985 Program Emphasis:

- Timber Sale Offerings—11.2 BBF and Harvest Administration 11.2 BBF
- Advance Timber Sale Preparation Work
- Oil, Gas and Mineral Leases and Claims
- Road Maintenance
- Fuels Management

Forest Service

State and Private Forestry



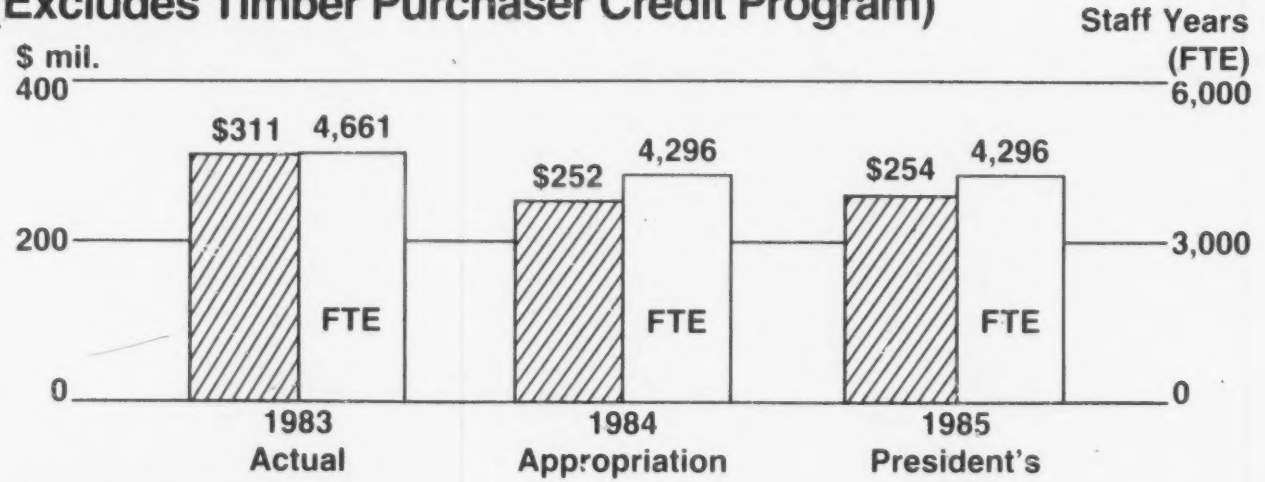
1985 Program Emphasis:

- **Forest Pest Management on Federal Lands**
- **Technical Assistance and National Data Collection and Analysis**

Forest Service

Construction

(Excludes Timber Purchaser Credit Program)

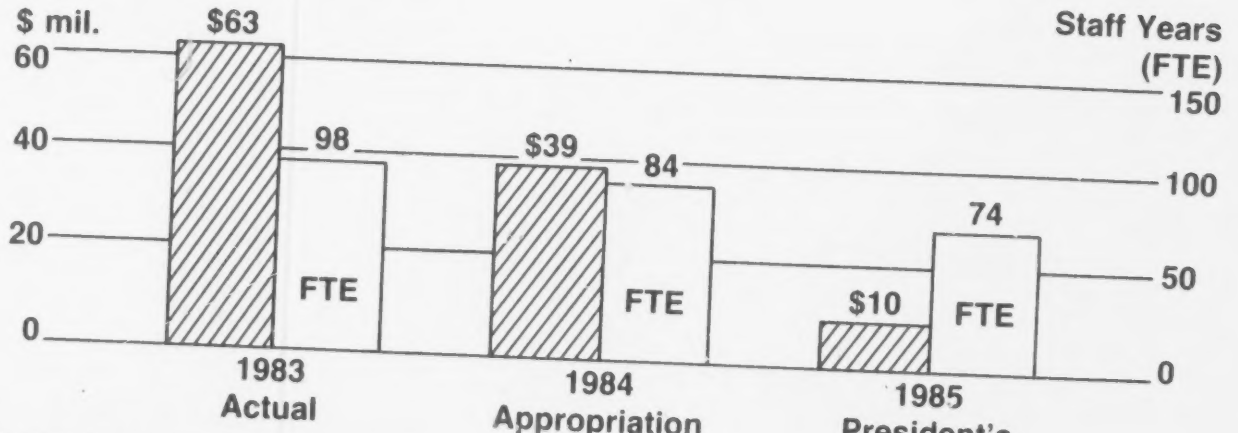


1985 Program Emphasis:

- New access for timber sales
- Critical support facilities, particularly health and safety hazards

Forest Service

Land Acquisition

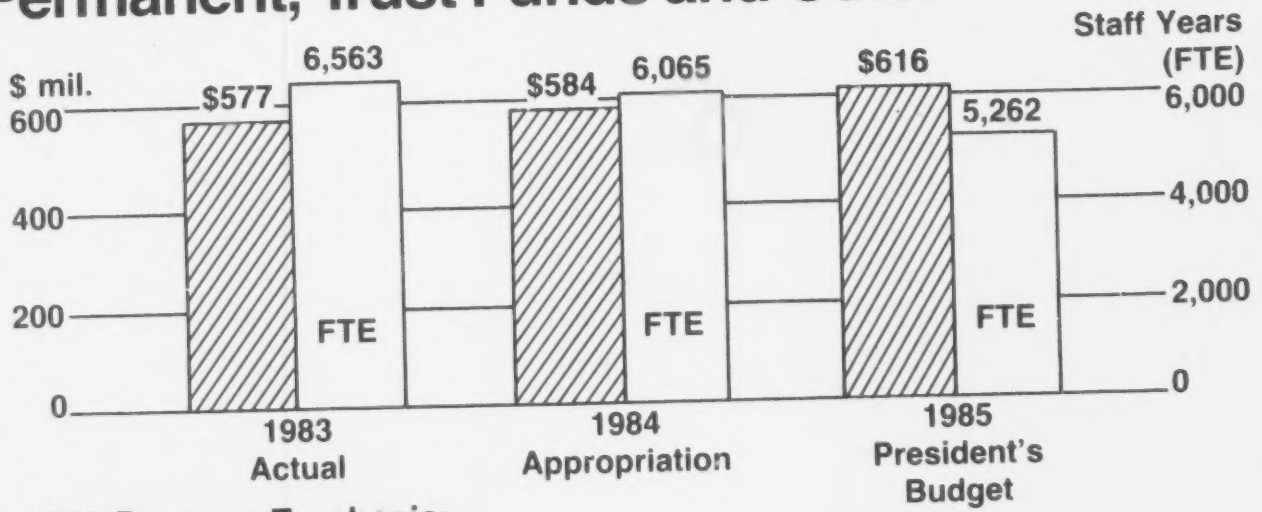


1985 Program Emphasis:

- **Closing existing L&WCF cases**
- **Administering carryover cases**
- **Acquire the most critical properties in the Boundary Waters Canoe Area and Lake Tahoe Basin**

Forest Service

Permanent, Trust Funds and Other



1985 Program Emphasis:

- Timber Salvage Sales
- Tongass Timber Supply Fund
- Payments to States from Receipts
- KV Reforestation and Timber Stand Improvement

The CHAIRMAN. Thank you very much, Mr. Secretary. I have a couple of questions which Senator Hatfield has asked that I present.

RECEIPT REVENUE SHARING

First, the fiscal year 1985 budget request for the Forest Service recommends enactment of legislation to change existing Forest Service receipt revenue sharing programs with States to a tax equivalency sharing basis.

Would you please provide Senator Hatfield a breakdown of timber and other receipts that were shared with Oregon counties for each of the last 5 fiscal years?

Mr. CROWELL. We could certainly do that.

The CHAIRMAN. Also, would you include your projection of future receipts that Oregon counties would receive if Congress were to enact your proposed legislation?

Mr. CROWELL. We are not in a position yet to do that, but as soon as we have developed a proposal which would generate a response to that question, we will deliver it to Senator Hatfield and to you, Mr. Chairman.

The CHAIRMAN. Thank you. And the second question that he has—if the proposed tax equivalency legislation is enacted, what would be the effect of payments to Oregon and California grant counties?

Mr. CROWELL. Again, we do not have the proposal in sufficient form yet to be able to answer that question. I might say, however, that what we are looking at is some proposal which would tend to average receipts over the last 5 years and then set a floor under those receipts. We could then move from a receipts-sharing situation into a tax-equivalency situation.

We recognize that it probably would be most unfair to counties to substantially reduce the receipts they have come to expect on an average basis.

On the other hand, we do think that there will be considerable appeal to the counties in being able to have some ability to project receipts, particularly in times of recession for the forest products industry when receipts drop off very rapidly and create some real problems for counties that are heavily dependent upon those revenues coming from sharing those receipts.

The CHAIRMAN. How would the proposal affect the payments made to the Forest Service by the Department of Interior for O&C grant counties timber management?

Mr. CROWELL. I don't think the proposal would really touch that, although again we aren't into enough detail on developing it to be able to respond to that question definitively at this point.

PURCHASER CREDIT

The CHAIRMAN. Mr. Secretary, on page 3 of your summary statement you go into the question—excuse me. It starts on that page and goes to the next page. You go into some detail about the purchaser credit.

Mr. CROWELL. Yes.

The CHAIRMAN. And you conclude by indicating that purchaser credits really aren't receipts to the Government.

Mr. CROWELL. Correct.

The CHAIRMAN. Is it not a fact that when timber is put up for sale, there is a base value set on that timber and that the bid reflects the bid value of the timber and from that is deducted the amount of money to be spent on roads?

Mr. CROWELL. That is correct—when the purchaser is required to build the roads.

The CHAIRMAN. And if they didn't pay that money for building the roads, they would pay it for the timber?

Mr. CROWELL. Only if the roads were already in place. The value of the timber would be enhanced by the fact that the roads were already built and in place, and paid for by the Government at some prior time.

The CHAIRMAN. Your theory is that the road increases the value of the timber more than the cost of the road?

Mr. CROWELL. No. It would increase the value of the timber proportionately to the value of the road.

The CHAIRMAN. Equal to it, so whether the road is there, if the road is there, the timber valuation goes up?

Mr. CROWELL. Goes up accordingly, yes, sir.

The CHAIRMAN. And therefore, in your view, the cost of the road is simply deducted from the value of the timber?

Mr. CROWELL. That is correct, when it is paid for through purchaser credits.

The CHAIRMAN. Have you run through any evaluation of timber that indicates that to be a fact? Do you have a statistical basis for that assumption?

Mr. CROWELL. No. It is a theoretical economic analysis which is used also in the ad valorem taxation of timber. Timber is valued lower if there is no access to it than if there is access by existing roads.

The CHAIRMAN. I understand your theory. I am not sure I agree with it. I suspect we will have the opportunity to test that further in acceptance.

Mr. CROWELL. I will look forward to that.

The CHAIRMAN. We know, too, that the Forest Service has for many years tried to find ways of shifting the cost away from direct appropriations and to the shoulders of the timber purchasers, is that not correct?

Mr. CROWELL. It has been true that there have been some costs of harvesting timber which have been shifted to the purchaser. In fact, the outstanding example of that is this requirement for road construction.

You may recall that back in the early sixties we had a different method for appraising timber where the timber was appraised on the stump, and the appraisal took into account the costs of the purchaser, including the costs of building the road. Because there were problems with underruns and overruns on timber volumes, which distorted the stumpage payment and the payment for or the reimbursement to the purchaser for various costs, the appraisal system was changed as a result of detailed negotiations with the timber purchasers back then to the present system. The present system

has worked very well. It wasn't until 1976, however, that counties became concerned that the Forest Service was overdesigning roads and that stumpage receipts were, thus, being reduced below what they would have been had the roads not been so expensive to build.

As a consequence, rather than trying to control the cost of roads, which perhaps the Congress rightfully felt was beyond its purview and something it couldn't do, it simply enacted the change in the revenue sharing provision to include as part of gross receipts purchaser credit amounts. That is what we are talking about as being an illogicality at this point.

The CHAIRMAN. I hear you, but I will recite a different view of history. That is, that the Forest Service was successful in shifting the cost of road building but you couldn't get enough money appropriated, and you had to have the road, so you consistently shifted the cost to the purchaser and thereby reduced the amount of money that would have been available for distribution.

It wasn't until 1976 that the indignation level in the Congress rose to the point where we were able to get that policy reversed and rectify it by talking about gross revenues rather than net revenues.

Mr. CROWELL. Mr. Chairman, I respectfully disagree with your characterization of the system and the change.

The CHAIRMAN. All I am telling you is how it looks to some of us outside of the Forest Service.

Mr. CROWELL. Yes; I understand. I am outside the Forest Service, too. As a matter of fact, I had a good deal to do with helping to negotiate the change in the system back in the mid-sixties, but the fact is that timber was supposed to be, in theory, paying for the roads back before the change was made.

It certainly was paying for them after the change was made, and that is a reasonable way to go at it. The alternative, of course, would have been to have more money appropriated by the Congress to construct the road, which would then have been recovered in exactly that same amount, through higher receipts paid for the timber.

The CHAIRMAN. What you refer to as an illogicality—I believe there is a better and perhaps more logical way of solving what you point to as a dilemma, than to go upon some theory, and go ahead and appropriate the money, build the roads, and have it reflected in the value, and therefore you have no argument about it? It doesn't become a matter of theory; it will become a matter of fact.

Mr. CROWELL. That is another way to go at it, but of course, the efforts to appropriate necessary road money have encountered a lot of difficulties over the years even though the theory you are talking about has been recognized. It has not been put into practice simply because of the necessity for having budgets with large outlays in 1 year when the timber is accessed by road construction, which are not recovered until some future year when it is later sold and paid for.

The CHAIRMAN. Well, I understand your position. Whether I agree with it or not——

Mr. CROWELL. I think that, as I say in the latter part of my statement, in addressing this, the whole question of dealing with the purchaser credit, which is a cost of getting the timber on the

market, also raises the question about how we are computing revenue sharing for the States. The fact that it is done on a gross receipts basis strikes me particularly as being also highly illogical.

The CHAIRMAN. It has been that way since 1908.

Mr. CROWELL. But that doesn't mean it is logical. It has been in place for 76 years. In fact, it is perhaps more illogical now than it was then because of the size of the program, the amount of money that is involved, the relationships with the counties, and so on. What I am suggesting is that any operation that is run like this part of the Forest Service program is, like a business, should be talking about sharing its profits, not its gross receipts, with its shareholders if you will. That is what has precipitated, in part, this reanalysis.

We also think that the appropriate way to approach it is to make it like the businesses that are run in the private sector, namely, timber companies who operate off their own private land. They pay either ad valorem taxes on that timber land or they will pay severance tax. We think that making the revenues to the county equivalent to that kind of a system would have a considerable amount of merit.

The CHAIRMAN. Are you prepared in that process to assess those lands and generate tax revenues from them exactly as private lands in the same States?

Mr. CROWELL. That is the approach we are taking.

The CHAIRMAN. Does that include the severance tax, or the ad valorem tax on personal property, that is levied in several States?

Mr. CROWELL. It would depend upon the particular State, their taxing system for timber and for timber operations, and we would propose to fit the taxation to the working portion of the national forest.

The CHAIRMAN. Would not the working portion you want to be treated as a landholder?

Mr. CROWELL. That is correct.

The CHAIRMAN. Based upon value?

Mr. CROWELL. Yes.

The CHAIRMAN. The same as other landholders there?

Mr. CROWELL. Yes.

The CHAIRMAN. And if they have a severance tax, you pay a severance tax?

Mr. CROWELL. Yes.

The CHAIRMAN. If you have an ad valorem tax on timber you pay the ad valorem tax on timber?

Mr. CROWELL. That is correct.

The CHAIRMAN. How about the segments of the national forests that are not working for us so to speak? Congress has made a decision that wilderness areas are more valuable as wilderness than they are as commercial forest.

Are you going to reflect a greater value for wilderness areas and pay tax at a higher value?

Mr. CROWELL. No. We think that the wilderness designations and designations as national recreation areas, for instance, where the working aspects of the national forests have been eliminated or reduced, would probably call for continuation of some kind of system,

like the payment in lieu of taxes floor which is not in place, affecting revenue sharing.

The CHAIRMAN. It seems to me what you are suggesting is the Government will have it both ways—pay the lower amount by whichever formula leads to the lower amount?

Mr. CROWELL. No. That isn't the purpose at all. As a matter of fact, in the instance of many counties, we expect that the payment would go up.

What we are looking for is some assurance to the counties that they can have a revenue source that they can count on year in and year out without worrying about the fluctuations in receipts that may occur for a variety of reasons, starting with the economy, but ending with things like proposed wilderness areas that keep plants out of production while they are being debated.

The CHAIRMAN. One question that I think isn't covered at all. That is the question of ineffective road credit. How would you treat that under your proposal?

Mr. CROWELL. I am not sure that the question of ineffective purchaser credits would enter into the calculation. I am not really sure how I would answer that one. I would have to think about that. We haven't focused on that at all.

The CHAIRMAN. Would I be correct in assuming the proposal would treat those tax payments and their relationship to payment-in-lieu-of-taxes in the same manner that revenue is offset against PILT?

Mr. CROWELL. If I understand your question, my answer is a qualified yes. The idea would be that PILT undoubtedly should be a floor. If revenues are generated that are higher than those from the alternative system, the alternative system would apply.

The CHAIRMAN. I was just checking with staff to verify that your forest harvest level is programed at 11.2?

Mr. CROWELL. Yes. That is what the 1985 budget would call for.

The CHAIRMAN. I want to commend you for that. There are a number of people who have suggested that with the backlog and the inoperable contract questions, that we ought to lower the harvest level figures in both preparation and sales. It looks to me like your budget submission has rejected that contention and suggested instead a more level and predictable harvest level program.

Mr. CROWELL. Perhaps it would be fair to say we have tried to hit the middle of the road on this one with the kind of housing starts that we think are possible in 1985 and later. Let me say that 11.2 may not be enough interjecting, however, that there will be some defaults as my testimony indicated, and that the 11.2 is likely to be enhanced somewhat.

We really have no good basis for estimating how much, but we have said 200 to 400 million feet. We just have to await developments to see whether that estimate is in the ballpark or not.

PROPOSED CHANGE TO LAND AND WATER CONSERVATION FUND

The CHAIRMAN. Do you have any more precise notion of how you would change the Land and Water Conservation Fund definition of improvements for user fee purposes?

Mr. CROWELL. Essentially again, we are talking conceptually, Mr. Chairman, but here we would be asking for authority to charge for campsites that have some improvements, and the charge would be in relation to the degree of improvement.

The idea here would be to recover the costs that are represented by both the improvement so that it can be amortized, and then by the cost of operating and maintaining the facility. A campground would be the most normal example that could be cited in this instance.

The CHAIRMAN. That has been a troublesome matter for us to try to deal with ever since I have been in the Congress, and that goes back a number of years. The current definitions that are the outgrowth of that we have doubled in the past.

While I can understand the desire to define it in a different manner, I am not sure we are going to come up with a better definition that has any kind of public acceptance.

Mr. CROWELL. We are going to try to help you with that. I don't know whether you are in any more agreement than you indicated you are with what we are going to do with revenue sharing. I think we are under some changed circumstances as to what we saw in the sixties when the Land and Water Conservation Fund definitions were first put in place. We have a $200 billion annual deficit that we are trying to do something about, and everybody in this administration is concerned about that. The Forest Service has been called upon to generate some contribution, some ways in which we can help deal with it.

We are not talking about big money, but as I think it was Senator Dirksen who was generally attributed to having said, "When you add a billion here, a billion there, pretty soon it becomes real money."

The CHAIRMAN. That is what is worrisome to the taxpayers—not only the fact that it adds up to a great deal of money, but the fact that they may be called upon to pay it.

Mr. CROWELL. Yes; but what we are talking about here is having the people who benefit from some of these improvements pay the cost of them because lots of taxpayers do not have the benefit of these improvements. The question is, Should they, nonetheless, be called upon to pay a proportionate share?

The CHAIRMAN. Well, I can't escape the opportunity to do as we did yesterday, to urge the administration to try to get the House to move the Outdoor Recreation Review Commission legislation forward. We might learn something from that commission that would bear upon this particular fact. It has passed the Senate. It is pigeon holed over in the House. I think some nudge from the administration might get it moving over there. That kind of public input can be helpful to us in making decisions on things that are as sensitive as this question of user fees.

Mr. CROWELL. Of course, one of the problems, Mr. Chairman, as you know better than I, is that when you are trying to deal with issues that affect the budget, you hear from the people who have a direct interest in a particular issue and you don't hear from a lot of the rest of the population. We are to the point where we just have got to do something about this budget deficit and the accrual to the national debt.

The CHAIRMAN. Well, I agree with that, and we will do the best we can up here, but I also have another comment that I think is necessary to judge in this area. That is that the area of controllable expenses that goes through the appropriation process is now 17 percent of the budget, excluding defense. If you wipe out every activity of Government that is included in this, that particular segment of the budget, you would have still a large deficit.

Mr. CROWELL. I am well aware of that, Mr. Chairman. I think you and I have talked about that before.

The CHAIRMAN. Yes, sir.

Mr. CROWELL. And we are not trying to do anything more than our share of that.

The CHAIRMAN. The President has also said he is not going to balance the budget on the backs of the poor. A lot of people that use these facilities are poor.

Mr. CROWELL. Well, I would not be so sure that they are so poor that they can't afford the kind of charge we are talking about for using a campground that is improved.

Most of the time those folks drive up there now with a pickup hauling a camper on the back of it or pulling a trailer, or drive up in a recreation motorized vehicle which has a considerable cost to it.

The CHAIRMAN. Some do. Some don't. You are going to attach the fee just to the ones that can pay?

Mr. CROWELL. No, no, but I have been surprised at the amount of mechanized expensive equipment that one finds in Forest Service, State park, and national park campgrounds. I think it is really the rare individual who can't afford to pay a few dollars a night to stay in an improved facility. There isn't much justification for putting the cost of building and maintaining that kind of facility on the backs of all the taxpayers.

The CHAIRMAN. Well, we will not resolve that problem. There are some, however, that don't have the means, that do use those facilities. What you will do is exacerbate the management problems of those people who can't afford who then will not go to the developed campgrounds and you are going to have a greater pressure outside the developed campgrounds. That is another problem.

If you try to increase the efficiency of the management on forest lands you are increasing the coercion of people into single areas reducing their opportunities in nondeveloped areas. If you intend to continue the progress in that direction, you better not raise the fees to the point you defeat that effort.

Mr. CROWELL. No. As I said, we aren't trying to make this a profit-raising venture.

The CHAIRMAN. I thought you were.

Mr. CROWELL. Now wait a minute—a profitmaking venture? What we are trying to do is cover the costs.

The CHAIRMAN. I understand that. All I am trying to say is that there is another side to that coin.

Mr. CROWELL. Yes; and I might add, too, Mr. Chairman, that even with the change that we are projecting or promising to deliver up here, that we are only then, even if it were enacted, going to be recovering about half the costs that we spend on recreation. In

fact, it is less than that. It is a third of costs that we would be recovering of what we on recreation each year.

I think the 1985 budget figure is something about $100 million. This would be recreation alone. Then there are other items of budget which would be attributable to recreation in part. We estimate that is about $160 million in total that would be fairly attributable to recreational purposes on the national forests, and we are currently proposing to recover about $50 million if the legislation that we would be sending forward were enacted.

The CHAIRMAN. But we are talking—the other figure includes all the recreation that is not through direct capital expenditure or the installation of capital equipment.

Mr. CROWELL. Yes; that is correct, although I must add that it excludes the portion of recreational use on roads which is still a big item, which we haven't even tried to calculate.

The CHAIRMAN. Thank you very much, Mr. Secretary. There will be additional questions submitted in writing for a response in writing. Both will be made a part of the record.

Thank you very much for your testimony this morning. That concludes the hearing this morning.

The committee is adjourned.

[Whereupon, at 1:07 p.m., the hearing was adjourned.]

[Subsequently, the following questions were submitted to Mr. Crowell. The answers appear in appendix VII.]

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, D.C., February 14, 1984.

Hon. JOHN B. CROWELL,
Assistant Secretary, U.S. Forest Service,
Department of Agriculture, Washington, D.C.

DEAR MR. SECRETARY: On behalf of the Committee on Energy and Natural Resources, I wish to express its appreciation for your contribution to our understanding of President Reagan's proposed budget for Fiscal Year 1985.

In connection with your testimony before the Committee on February 9, 1984, enclosed are questions for the record. Your response by close of business Thursday, February 23, 1984, would be appreciated. Your response and any inquiries regarding this request should be directed to the attention of Richard D. Grundy, professional staff member at (224-2564).

Sincerely yours,

JAMES A. MCCLURE, *Chairman.*

Enclosures.

QUESTIONS SUBMITTED TO ASSISTANT SECRETARY CROWELL, U.S. FOREST SERVICE

Questions 1-3, submitted by Majority.
Questions 4-7, submitted by Senator McClure.
Questions 8-9, submitted by Senator Hatfield.
Questions 10-16, submitted by Senator Evans.
Questions 17-18, submitted by Senator Metzenbaum.
Questions 19-26, additional questions submitted by Minority.

QUESTIONS SUBMITTED TO ASSISTANT SECRETARY CROWELL

QUESTIONS SUBMITTED BY MAJORITY

1. Would you provide for the record a list of legislative initiatives accompanying the proposed fiscal year 1985 budget? Would you include a statement of purpose, proposed language (if available at this time but, if not, and indication of when it will be available); and an explanation of the language? Would you also indicate whether it is your intention to submit legislation and whether, in your judgment, such legislation would be forwarded to the authorizing committee or to the Appropriations Committee?

2. Would you provide for the record a list of any fiscal year 1984 supplemental or deferral requests by appropriations account?

3. Would you provide for the record a list of any current or anticipated fiscal years 1984 and 1985 recissions or deferrals pursuant to the Budget and Impoundment Control Act assumed by the proposed budget for fiscal year 1985; copies of the relevant budget justifications; and the status of such proposed actions?

QUESTIONS SUBMITTED BY SENATOR M'CLURE—TRANSACTION EVIDENCE ANALYSIS (TEA) TEST

Mr. Crowell, I want to ask you a few questions regarding the transaction evidence analysis (TEA) bidding system and the Forest Service's future plans for this system. As you know, this issue has generated a lot of concern in the timber industry, especially in the West.

In the development of the fiscal year 1983 and fiscal year 1984 appropriation bills, the House and Senate reviewed the Forest Service appraisal and sales programs in some detail.

The Forest Service now has a TEA test underway in Region 1. I would like to point out that this test was not approved by any Committee prior to its inception nor is it a test that I would have suggested.

4. Can you tell me what assumptions have been built into your fiscal year 1985 timber sales program concerning the use of TEA?

5. Does your 1985 budget proposal anticipate the use of TEA in more than a few sales in Region I? Are any savings projected?

6. Have there been any sales offered so far in the test under the TEA system? What have the results been?

7. Back in 1973, the Joint Appraisal Study Group reviewed the Forest Service's appraisal system and concluded that the transaction evidence system was acceptable when timber and products in an area were relatively homogeneous. Otherwise, the group reported, "it appears that the Forest Service must continue to use the residual value approach. There are no great opportunities to simplify appraisals, particularly for old growth timber, the bulk of the volume offered in the West."

What has changed since 1973 that would provide the basis for this testing in Region 1?

QUESTIONS SUBMITTED BY SENATOR HATFIELD

8. The FY 1985 budget request for the Forest Service recommends enactment of legislation to change existing Forest Service receipt revenue sharing programs with states to a "tax equivalency" sharing basis. Would you please provide to me a breakdown of timber and other receipts that were shared with Oregon counties for each of the last five fiscal years? Also, I would like to have your projection of future receipts that Oregon counties would receive if Congress were to enact your proposed legislation.

9. If the proposed "tax equivalency" legislation is enacted, what would be the effect of payments to Oregon and California grant counties? How would the proposal affect the payment made to the Forest Service by the Department of the Interior for Oregon and California grant counties' timber management?

QUESTIONS SUBMITTED BY SENATOR EVANS

10. State and private forestry—Payment to States: Your budget request states that all financial grants to states through the state and private forestry program will be discontinued. Furthermore, you suggest legislation to change the payment to states program from a receipts sharing to a tax equivalency basis. What effect would these changes have on timber producing states?

11. Payment to States: Your budget request assumes proposed legislation that would change the payment to states program from a receipts sharing to a tax equivalency basis. Your budget request reflects an estimated savings of $40.5 million due to this proposed legislation. Assuming, hypothetically, that the legislation does not pass, how will the forest service make up the loss of savings?

12. Land acquisition: Your budget request provides for completion of existing land acquisition programs, but apparently for little else. Please explain your rationale for discontinuing the land acquisition program. Why aren't new acquisitions planned?

13. Planned timber sales: Your budget request states that timber sales from forest service lands of 11.2 billion board feet are planned for 1985. You assume that 11.2 billion board feet will be harvested. In 1984, 11.7 billion board feet of timber were offered, but only 10 billion board feet will have been harvested. In 1983, 11.2 billion

board feet of timber was offered, and only 9.2 billion board feet were harvested. In 1983, the forest service had approximately 38 billion board feet of uncut timber under contract and in 1984 the volume of uncut timber under contract is expected to reach nearly 40 billion board feet. Please explain your rationale for maintaining such high levels of sales while such a large backlog of uncut timber under contract exists.

14. Timber contract relief: In your opening statement, you state that timber purchasers desiring extention of timber sales purchased between 1976 and 1982 must submit a multi-sale extension plan covering all their federal timber contracts to the forest service by February 15, 1984. You state that at this time it is too early to estimate accurately what effect the 5-year extension will have on the the forest service timber program. Nevertheless, the 1985 budget request is based on the assumption that some of the large volumes of timber under contract at uneconomically high prices will be harvested. Please give me your best estimated of the amount of timber under contract at high prices that will be harvested? To what extent have you relied on recipts from these sales in your budget request? At the present time, how many timber sale purchasers have submitted timber sale extension plans?

15. Anadromous fish habitat improvement: In your budget request you propose a decrease of $1.26 million in direct anadromous fish habitat improvement. Please explain your rationale for decreasing the amount of money spent on habitat improvement while at the same time anticipating an increase in harvest of 1.2 billion board feet or timber?

16. The fiscal year 1985 Budget request for the Forest Service recommends enactment of legislation to change existing Forest Service receipt revenue sharing programs with states to a "tax equivalency" sharing basis. Would you please provide to me a breakdown of timber and other receipts that were shared with counties for each of the last five fiscal years? Also, I would like to have your projection of future receipts that Washington counties would receive if Congress were to enact your proposed legislation.

QUESTIONS SUBMITTED BY SENATOR METZENBAUM

17. Please provide the names of any companies that have extended their timber contracts under the administrative extension program announced by the president last year. Please include the value and volume of each of the contracts.

18. The Grace Commission made a series of recommendations regarding the Forest Service. Please identify which of these recommendations you support and provide a timetable for implementation. Please identify which recommendations you oppose, and why. Please address yourself to all of the recommendations.

ADDITIONAL MINORITY QUESTIONS

19. What is your estimate of national forest land sales in fiscal year 1985?

20. Last year, in response to a question at the Committee's hearing on the fiscal year 1984 budget, the Forest Service indicated that legislation authorizing the sale of national forest lands would be transmitted "shortly after the start of the 98th Congress." Like the fee legislation, this proposal has been in the budget for three years; but the authorizing legislation has never been forwarded to the Congress. Have the Forest Service's views changed regarding the need for such legislation?

21. Please explain your proposal to change the existing Forest Service revenue sharing program with the states from a receipts sharing basis to a tax equivalency basis. Please provide a table showing the estimated effect of this change in the amount of funds to be received by each state.

22. The Administration has indicated for three years that it will transmit entrance and other fee legislation for the U.S. Forest Service to the Congress. Each year, increased revenue assumptions are made about fees in the Forest Service budget, and yet the legislation is never transmitted. Will this legislation be proposed during the second session of the 98th Congress? If not, or if it is not enacted, how would you propose to deal with the $25 million revenue shortfall which will result?

23. What assumptions does the budget make regarding defaulted timber contracts in fiscal year 1985? Is the Department contemplating transmitting any initiatives to the Congress this year regarding timber contract relief?

24. What was the Forest Service's estimate of receipts in fiscal year 1981, 1982, 1983, and 1984; and what was the total amount of receipts actually collected?

25. How much money do you plan to spend in fiscal year 1985 on RARE III? Please provide this information on a state-by-state basis.

26. The Department has indicated that some 40 billion board feet of timber remains sold but uncut in the National Forests? Please break this figure down on a state-by-state basis.

APPENDIX V

RESPONSES FROM CHAIRMAN O'CONNOR TO ADDITIONAL COMMITTEE QUESTIONS

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

February 24, 1984

Honorable James A. McClure
Chairman
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Enclosed are my responses to questions submitted for the record pursuant to my appearance before the Committee on Energy and Natural Resources on February 9, 1984.

If I may be of further assistance, please let me know.

Sincerely,

Raymond J. O'Connor
Chairman

Questions Submitted for the Record

Index

Senator McClure

1. Operating Expenses for Wellhead Pricing and Producer Rates
2. Reliance on Rulemakings
3. Columbia Decision
4. Market Forces and Contract Carriage
5. FERC Administrative Fees
6. Annual Charges Rulemakings
7. Timely Processing of Hydro Applications
8. Processing Time of Orofino Hydro Applications

Senator Hatfield

9. Hood River Basin Hydroelectric Project

Senator Hatfield and Evans

10. FERC Budget for Northwest Power Act
11. Northwest Conservation and Electric Power Plan
12. Consolidated Proceedings

Senator Metzenbaum

13. FERC General Counsel

Minority

14. FERC Fee Revenue
15. FERC Relocation
16. Wellhead Natural Gas Prices After Deregulation
    Indefinite Price Escalator Clause
17. Prepayments for Gas
18. Hydropower Licensing Threshold
19. Construction Work in Progress

QUESTIONS SUBMITTED BY SENATOR MCCLURE

OPERATING EXPENSES FOR WELLHEAD PRICING AND PRODUCER RATES

1. Question: Under the wellhead pricing provisions of the NGPA, substantial volumes of natural gas will be decontrolled on January 1, 1985. As a result, for most of FY 1985, the Commission would have a reduced workload relating to its administration of wellhead ceiling prices and producer rates. However, the FY 1985 request for operating expenses in both of those categories - wellhead pricing and producer rates - is higher than the base number for 1985, and much higher than the FY 1984 appropriation. (See vol. 8, page 14.)

Please explain why the FY 1985 request in these categories has not been substantially reduced, compared to 1984. Alternatively, does your budget reflect enactment of legislation?

Answer: Let me begin by saying that this budget was formulated on a basis of phased deregulation of natural gas under provisions of the Natural Gas Policy Act. In FY 1985 these programs reflect on a proportionate basis only the general increase in the costs of supporting all FERC programs. These costs include the FY 1985 effects of the FY 1984 pay raise, costs associated with fully implementing the common support functions previously provided by the Department of Energy, and general increases in fixed costs such as building rental, telecommunications, and printing.

The funding requested is required for these programs since all gas (except §105) must have an approved determination of eligibility to qualify for decontrolled prices. Further, even though the number of jurisdictional agency determination filings is expected to decrease by 13% in FY 1985, the staff effort will not decrease significantly since only a portion of the actual filings are reviewed under our sampling approach. The NGPA audit functions and the requirement to process producer filings for gas remaining subject to price controls must also be continued. The auditing is required under NGPA to assure that prices do not exceed ceiling prices that remain and to verify that sales claimed to be decontrolled do in fact qualify for decontrol. And here again, a sampling is utilized so that there is no significant reduction in staff effort. Additionally, as more gas becomes decontrolled, problems related to pipeline gas supplies, transportation, and purchasing issues are expected to consume an increasing portion of staff time. To meet these increased requirements, staff from the producer programs are being reassigned to gas pipeline work as phased decontrol allows for reduction in manpower.

RELIANCE ON RULEMAKINGS

2. Question: I note that in your budget request you have stated that one of your management objectives is to "streamline the regulatory process through rulemakings and management improvements" that will reduce internal processing time and minimize the regulatory burden imposed on industry. Also, I recall that the Grace Commission report recommended that the FERC place greater reliance on rulemakings to reduce the number of individual proceedings litigated before the Commission.

Is it the intention of the Commission to place greater reliance on rulemakings in FY 1985? If so, what issues and subject areas would be covered in new rulemaking proceedings?

Answer: As both the President's Private Sector Survey on Cost Control (Energy 20-2) and my recent testimony to your Committee emphasize, generic rulemaking is an increasingly valuable regulatory tool for effective decisionmaking. I strongly endorse the use of rulemaking, where appropriate, because of its inherent advantages over adjudication. I intend, therefore, to place great reliance on the rulemaking process in FY 1985 to resolve policy issues, to streamline agency practices, and to continue our efforts to reduce any unnecessary burden imposed on industry.

I took the beginning steps in this effort recently when I established rulemaking priorities for over one hundred pending rulemakings. Under these priorities, the Commission will issue final rules in several areas that evidence the advantages of generic resolution of policy issues by rulemaking. A generic approach to determining an electric utility's rate of return on common equity is scheduled to be issued as a final rule in June 1984. In addition, the Commission recently proposed widespread revisions to its procedures for considering hydroelectric exemption, permit and license applications. A generic approach to allowances for cash working capital will be proposed in March 1984. Comprehensive filing requirements will be developed for the first time for rates filed by power marketing agencies in a final rule to be issued in May 1984. These are only a few of the Commission's ongoing efforts to use rulemaking to provide uniform resolutions to issues that have absorbed significant amounts of administrative effort in the past. This effort will continue in FY 1985.

COLUMBIA DECISION

3. Question: It seems to me that rulemakings on such complex issues as the gas purchasing practices of pipelines become very difficult, because each pipeline has its own unique set of buyers and sellers, market conditions, and other circumstances. Last month, the Commission issued the Columbia decision. It took a year for the Commission to decide that case, but it applied to only one pipeline. It was not a rulemaking.

Does the decision provide any guidance or have any value for other pipelines, in terms of how they should conduct their gas purchasing practices? Or the practicality of rulemaking in this area?

Answer: Once the Columbia decision becomes final and no longer subject to requests for rehearing filed at this Commission, the Commission's holdings will serve as precedent for other interstate pipelines. In Columbia, the Commission redefined the term "abuse" in section 601 (c)(2) of the Natural Gas Policy Act of 1978 (NGPA) to include, among other things, "circumstances where a pipeline's gas acquisition policies and practices evidence a reckless disregard of the pipeline's fundamental duty to provide service at the lowest, reasonable cost and such policies have significant, adverse impact." Opinion No. 204, Columbia Gas Transmission Corporation, et al., 26 FERC ¶ 61,034 at 61,100 (1984). This is the Commission's current policy on the limits of guaranteed passthrough of an interstate pipeline's purchased gas costs. The Commission will apply this definition of abuse to other interstate pipelines, where appropriate. The Columbia decision places other interstate pipelines on notice that their purchasing practices will be held to the announced standards.

As the Senator's question notes, it would be difficult to develop a purchasing practices rulemaking because of each pipeline's unique circumstances. Hence for the present time, the policy announced in the Columbia opinion should be sufficient to put interstate pipelines on notice as to their responsibilities in this area.

MARKET FORCES AND CONTRACT CARRIAGE

4. One of the Commission's specific objectives for FY 1985 is to "implement programs that will enable market forces to operate for decontrolled gas." (P. 15 of budget request). That statement seems somewhat contradictory, since market forces are usually constrained by government programs. I assume that the programs referred to would include contract carriage by pipelines.

Question: Would you explain the Commission's position on the contract carriage issue — that is, the issue of whether mandatory contract carriage is necessary to send the proper market signals to producers?

Question: What other types of programs does the Commission plan as a way of promoting the operation of market forces?

Answer: Contrary to popular misconception that regulatory programs necessarily constrain market forces, this Commission and its predecessor, the Federal Power Commission, have frequently permitted and even encouraged competition. This is best illustrated by the number of major markets that are served by more than one interstate pipeline. On February 14, 1984, the American Gas Association (AGA) published a report on competition which included an analysis of 80 distribution companies served by interstate pipelines. The report found that 72% of the sample sales had access to three or more suppliers, 12% had access to two suppliers and only 10% had only one supplier. The remaining 6% of sales were by municipally-owned companies that normally only have access to one supplier. While we cannot verify the accuracy of the percentages, we are satisfied that the markets which represent the majority of natural gas consumers are served by more than one interstate pipeline.

Answer: The Commission has had a history of encouraging the use of pipeline capacity to transport natural gas for other pipelines, local distribution companies and end users. In the early 1970's, the FPC implemented a program to encourage the transportation of gas for process, feedstock, and plant protection uses. In 1978 the FERC adopted the program, and in 1979 a program was implemented to encourage the transportation of gas for essential agricultural uses as well as for schools and hospitals. Also, in 1979 the Commission implemented a program for displacing fuel oil and issued Part 284 of its regulations to implement Title III of the Natural Gas Policy Act of 1978. On July 20, 1983, the Commission issued blanket certificate regulations which incorporated these programs and in addition made transportation available for low priority end users. To encourage the use of pipeline capacity for transportation purposes, the Commission provided certain economic incentives, including an Additional Incentive Charge of up to 5.0 cents per MMBtu for the transport of gas for low priority end users. Essentially, existing regulations now authorize interstate pipelines to transport gas on behalf of all categories of end users as well as local distribution companies and intrastate pipelines. These programs are achieving results; for example, for the 12 months ending September 30, 1983, an estimated 4.3 Tcf of natural gas were transported by interstate pipelines and over 2.0 Tcf were transported by intrastate pipelines (these volumes were transported under Part 284 of the Commission's regulations).

In 1983, the Commission approved Special Marketing Programs for three interstate pipelines and one producer group. The programs recognized a supply - demand imbalance and were designed to permit released gas supplies to be marketed by the producers if they were willing to compete with alternate suppliers. Not only would the programs send signals to the producers as to the true commodity value of gas in the field, but will afford take-or-pay relief to the releasing pipelines. Thus far, the Commission has permitted competition for the marginal markets, i.e., those markets that might not otherwise use natural gas or would purchase gas when there are special price considerations. However, the Commission has issued a Notice of Inquiry in Docket No. RM84-7-000 to gather information on the potential effects on rate payers, transporters and suppliers if other markets should be opened up to competition under these programs.

Under the Special Marketing Programs, transportation is an essential element. Otherwise, the gas will not be available to the purchaser. The Commission's transportation programs as well as the Special Marketing Programs incorporate the concepts of contract carriage and are presently promoting the operation of market forces. It is expected that other pipelines will participate in similar marketing programs.

It is not clear that mandatory contract carriage is necessary to send proper market signals to producers. Proper market signals are beginning to be sent under the programs now being implemented by the Commission. However, we do recognize that certain producers may experience difficulty in obtaining transportation in some instances, particularly where the producer seeks to sell gas to a market being served by the pipeline that would be involved in the transportation.

The issues raised in such cases include the question of the effect of such transactions on the pipeline's customers, particularly regarding the possible shifting of fixed costs. The Commission will be hearing oral argument on these issues early next month in a case involving Colombia Gas Transmission Corporation. They are also likely to be ventilated in a more general fashion in the Commission's Notice of Inquiry in Docket NO. RM84-7.000.

As the Commission gains more experience with the various marketing and transportation programs, we may be better able to evaluate the mandatory carriage question.

FERC ADMINISTRATIVE FEES

5. Chairman O'Connor, the Federal Energy Regulatory Commission imposes fees on dams to recover the cost of administering the hydroelectric program. These fees are not based on the actual administrative cost to the FERC for the individual hydroelectric project, but rather are intended to recover the budgetary cost of administering the program.

As a result, FERC administrative fees have grown astronomically. For example, in the four years from 1978 to 1982 these fees have increased 180% for the Brownlee dam; they have increased 240% for the Bliss dam; they have increased 242% for the C J Strike dam; they have increased 243% for the Oxbow dam; they have increased 267% for the Lower Salmon Dam; and they have increased 303% for the American Falls dam.

All of these dams have been licensed previously and therefore the actual administrative costs to the FERC for these dams is now virtually nil.

Question: Since these fees are passed on to electricity customers in the form of higher prices, my question is: What is the Commission doing to stop the extraordinary increases in these fees?

Answer: All costs of administration of Part I of the Federal Power Act are currently borne by licensees even though these costs, for the most part, are not generated by actions attendant to these specific licensed projects.

The significant increases to all licensees in costs of administration during the period 1978 to 1982 can be directly attributed to the increased volume and complexity of applications for permits, exemptions, and licenses that were encouraged by the passage, in 1978, of the Public Utility Regulatory Policies Act and subsequent legislation designed to encourage small hydro development.

There currently are no filing fees assessed to applicants for preliminary permit applications or exemption applications. The Commission recovers the administrative costs attendant to Part I of the Federal Power Act for processing these types of applications by assessing annual charges against licensees. If all applicants eventually become licensees, the present method of recovering the Commission's cost (through annual charges assessed against licensees on a fiscal year basis after the costs are incurred) would be equitable, accurate, and much less controversial than the imposition of filing fees. However, many applicants never become licensees and, therefore, do not share in supporting the Commission's costs. In particular, applicants for exemption from licensing and many applicants for preliminary permits do not become licensees, and these applicants receive specific benefits from the Commission's work.

In order to alleviate this inequitable situation, the staff is considering methods which would provide a filing fee structure for certain types of hydroelectric applications. One possible approach would be to impose filing fees on applicants for preliminary permits and exemptions and to recover the remainder of the Commission's costs for hydro-related work through annual charges against licensees, with those costs reduced by the sum of amounts collected in the fees.

A portion of the increased costs may also be attributed to actions taken by the Commission to implement recommendations made by the Department of Energy (DOE) Office of Inspector General in a December, 1981, report. The report recommended, among other things, that the FERC identify all costs associated with the administration of the Hydropower Licensing Program, including those in DOE and other Executive Departments, and that the Commission compute assessments based on a 26-percent fringe benefit factor as directed by OMB guidance. Beginning with annual charges assessed in 1982, the Commission has included DOE administrative costs associated with FERC's hydropower program, and has computed assessments using the 26 percent figure.

ANNUAL CHARGES RULEMAKING

6. Question: Chairman O'Connor, I assume that you are aware that the Committee is currently considering action on S.1132, having to do with annual charges on federal facilities. In light of the ongoing Committee action, what plans does the FERC have at this time for pursuing your annual charges rulemaking?

Answer: The Commission is proceeding with its rulemaking concerning annual charges for use of government dams or other facilities. We are considering various alternatives, including a flat fee approach similar to that in S.1132. We expect to consider an annual charges final rulemaking at a Commission meeting this summer.

TIMELY PROCESSING OF HYDRO APPLICATIONS

7. Chairman O'Connor, there is a growing concern by hydroelectric developers about the seeming inability of the Commission to process hydro applications in a timely manner.

Developers are spending many thousands of dollars seeking to develop a potential hydro site, but have not received a speedy determination from the FERC as to whether they can proceed with their project.

For some, a rapid FERC decision is critical to the economic viability of their project; for others a rapid decision is essential for their personal well-being.

Question: My question Chairman O'Connor is: What are your plans to speed up the processing of the numerous applications currently pending before the Commission?

Answer: Subsequent to my appointment as Chairman in November 1983, I have taken steps to further develop and utilize the Commission's computerized Management Information System to give the Commission better knowledge of the cases and issues pending before it.

In many instances, the Commission's inability to act expeditiously on hydroelectric cases has been due to the quality of applications filed with FERC. This has been caused in large part by the problems that applicants and others have in interpreting the Commission's regulations. Incomplete applications cause the staff to expend considerable time in attempting to correct deficiencies. In many instances several months are required before an application is rendered acceptable for processing. To correct this problem, the Commission has recently issued a Notice of Proposed Rulemaking in Docket No. RM83-56 to provide clarification of the regulations to applicants and others. This rule applies to applications for license, permit, and exemption from licensing, and proposes to reorganize many sections of Part 4 of the regulations for clarity, to codify numerous Commission decisions interpreting Part 4 regulations, and to amend the regulations, to among other changes, remove notices of intent and to modify and clarify the rules for competition against exemption applications.

I will also monitor the pending hydroelectric caseload at the Commission and will implement changes in procedures as necessary to decrease the time for taking final action on hydroelectric applications.

PROCESSING TIME OF OROFINO HYDRO APPLICATION

8. Chairman O'Connor, on November 18, 1983, the Orofino Falls Hydro Limited Partnership filed a request for expeditious processing of its hydro license application.

Question: Does the Commission intend on responding to this petition?

Answer: The Commission's staff has completed processing the Partnership's license application for Project No. 7191. This case was scheduled for consideration by the Commission on its February 22, 1984 agenda. The Commission found that the facts in the record reflect an apparent abuse of municipal preference and is therefore giving the Orofino Falls Hydro Limited Partnership 30 days to show that it has not abused the municipal preference.

QUESTION SUBMITTED BY SENATOR HATFIELD

HOOD RIVER BASIN HYDROELECTRIC PROJECT

9. QUESTION: On January 24, 1984, I wrote to you regarding the hydroelectric project proposed in the Hood River Basin by the Middle Fork Irrigation District and the Farmer's Irrigation District. In that letter I stressed the importance of early action on these projects by FERC, due to the minimal environmental impact, and the problem with significant losses due to current power sales contracts the districts have with utilities. What is FERC doing to expedite these applications and how soon can the irrigation districts expect an answer to their applications?

ANSWER: The Districts' proposed projects would be located in the Hood River Basin, where several license and exemption proposals are currently the subject of petitions requesting cumulative environmental assessment of the impact that may result from the development of projects in the Hood River Basin. The Commission has not yet reached a decision concerning the need for cumulative impact studies or the form and scope of the studies, should they be determined necessary. Careful consideration and thorough analysis of the factual and legal issues involved is required for the Commission to carry out its statutory responsibilities.

As outlined in my testimony I will bring the commulative impact issue to the Commission for decision within the next 45 to 50 days.

35-235 O - 84 - 66

QUESTIONS SUBMITTED BY SENATOR HATFIELD AND SENATOR EVANS

FERC BUDGET FOR NORTHWEST POWER ACT

10. Question: Under the Northwest Power Act (P.L. 96-501, December 5, 1980) FERC is required to exercise its regulatory responsibilities consistent with the purposes of that Act (4 (h) (11) (A) (i)). Has FERC budgeted the funds to ensure that this will happen?

Anwser: I believe adequate funds have been budgeted to carry out our responsibilities for the entire hydroelectric program, including our regulatory responsibilities under the Northwest Power Act.

a. Question: How many staff persons does FERC currently have stationed in the Pacific Northwest working on hydropower licensing?

Anwser: Matters pertaining to hydropower licensing in the Pacific Northwest are handled by the Commission's staff located in Washington, D.C., and in the FERC San Francisco Regional Office.

b. Question: How many persons does it plan to have in the Pacific Northwest in the future.

Answer: There are no plans to permanently station Commission personnel in the Pacific Northwest in the future. The FERC will continue to fulfill its responsibilities under the Northwest Power Act, including coordination with the Northwest Power Planning Council, by the use of its staff in Washington, D.C. and the San Francisco Regional Office.

NORTHWEST CONSERVATION AND ELECTRIC POWER PLAN

11. The Act required the Council to develop a comprehensive program to protect, mitigate, and enhance the fish and wildlife of the Columbia River Basin and its tributaries and to adopt an energy plan for use in meeting the Pacific Northwest's energy needs for the next twenty years. On November 15, 1983 [sic] the Council adopted the Columbia River Basin Fish and Wildlife Program and on April 27, 1983 the Northwest Conservation and Electric Power Plan was adopted incorporating the Fish and Wildlife Program.

a. Question: Does this plan constitute a "comprehensive plan" sufficient for the purpose of meeting the requirements of Section 10(a) of the Act?

Answer: The Commission's staff believes that the fish and wildlife program and the conservation and electric power plan issued by the Northwest Power Planning Council (Council) are well planned, comprehensive documents for natural resources and electric power planning within the Columbia River Basin.

b. Question: If not, what actions by the Commission, Congress or the Council would be required to allow the plan to serve such a purpose?

Answer: Although the plans may be sufficient for the purpose of meeting the requirement of Section 10(a), the Commission is not bound to accept or adopt the Council's program, just as it has not been required to adopt similar comprehensive plans developed elsewhere. The Commission is required by law to maintain its role as an independent regulatory agency with a national — and not just a regional — perspective.

c. Question: Would FERC be duplicating the work of the Council in developing a comprehesive plan of its own?

Answer: The Commission takes into account the Council's plan in its decisions on licensing in the Columbia River Basin, and also utilizes information, comments, and planning documents prepared by others. The Commission, in carrying out its independent regulatory authority must balance the views of the Council with the other needs of the area.

CONSOLIDATED PROCEEDINGS

12. Question: The Council's Fish and Wildlife Program for the Columbia River Basin calls for FERC to conduct consolidated proceedings in river basins where there are multiple hydroelectric projects and to assess the cumulative effects of these projects. Does FERC intend to conduct consolidated proceedings and to carry out cumulative impact assessments, and have they budgeted the necessary funds to do so?

Answer: The Commission's staff has begun studying the question of the need for cumulative impact assessments in several river basins within the Columbia River Basin. These studies are ongoing and the Commission has not yet reached a decision on this matter. If a decision is reached to conduct cumulative impact assessments, appropriate budget requests would be made to cover expenditures associated with this effort.

QUESTION FROM SENATOR METZENBAUM

FERC GENERAL COUNSEL

13. Recent press reports indicate that Mr. William Satterfield has been appointed as the new FERC General Counsel.

a. Question: Please provide a statement of Mr. Satterfield's qualifications for the job of General Counsel, including a description of his relevant legal experience in the areas under FERC's jurisdiction.

Answer: William Satterfield will bring a unique combination of management and legal skills to the position of General Counsel of the Federal Energy Regulatory Commission. As Deputy Solicitor of the Department of the Interior, he was the Department's secondranking attorney, supervising 225 attorneys in 21 offices across the United States and providing legal advice to the Secretary of the Interior as well as exercising supervisory responsibility over a $20 million annual operating budget. In his previous position as Associate Solicitor he supervised a staff of 40 employees, managed a $2 million budget, and personally supervised the design, acquisition, and installation of a $1 million automated management information system. As a practicing attorney at the Department of the Interior he became familiar with hydroelectric regulation and environmental concerns and the important relationship between the Department and the Commission. Prior experience in industry exposed him to property and environmental law, corporate and congressional liaison and legislative activities at the state and Federal level, and computerized accounting and management control systems. Finally, his unusual educational background — bachelor's degree in industrial engineering, a master's degree in business administration, and a law degree -broadens the knowledge and perspective he brings to the complex legal and policy issues facing the Commission.

As I have testified, one of the most important challenges facing the Commission is improving agency management. I spoke to you about my intent to establish a viable agenda forecasting system that relies heavily on our computer case tracking system. I also talked about establishing rulemaking priorities and making full use of a legal precedent indexing system that permits full text, rapid legal research through quick access to leading cases, orders, opinions, decisions. These systems only work when there is sophisticated, committed management talent at the helm. I believe Mr. Satterfield will provide that type of leadership and am proud to have him serve as my chief legal advisor.

b. Question: Please describe the process by which you chose Mr. Satterfield for this important position. Were other candidates considered? What consideration was given to present employees in the Office of General Counsel at FERC?

Answer: After considering the senior officials in the Commission's Office of the General Counsel, as well as at least five other candidates from outside the Commission, I selected Mr. Satterfield for the reasons stated above. I expect that there will be a harmonious blend of legal and administrative talent among the senior staff in the Office of the General Counsel: that the strong technical expertise of the present senior staff attorneys will complement the leadership and management skills of the new General Counsel.

ADDITIONAL QUESTIONS FROM THE MINORITY

FERC FEE REVENUE

14. Your FY 1985 budget request assumes FERC will collect $60 million in fees, annual charges and other revenues to offset nearly three-fifths of the cost of operating the agency. Last year, the Administration proposed that the agency be required to collect $60 million from revised fee schedules and retain those revenues to offset program operating expenses. The Congress rejected that approach as an unrealistic way to run an administrative agency. Instead, the FY 1984 appropriations bill specified that the FERC's full budget authority would remain available throughout the fiscal year, subject to reduction from fees only as revenues from such fees became available.

a. Question: How much did FERC actually collect from these same sources in FY 1983? How much has been collected so far in FY 1984? How much do you project will actually be collected in FY 1984?

Answer: In FY 1983, the FERC collected revenues totalling $15.3 million. FY 1984 collections in revenue through January 1, 1984, total $13.6 million. FERC projects that total collections for FY 1984 will be $45.1 million. The low rate of 1983 collections was due to late billings for hydropower annual charges.

b. Question: Is the $60 million estimate predicated on the enactment of legislation sought by your predecessor and now pending before this Committee to allow FERC to generate more revenue from fees?

Answer: Of the FY 1985 estimate of $60 million, FERC estimates that $9 million is dependent upon legislation transmitted to the Congress in March, 1983. The balance, $51 million, is an estimate based on current authority of the FERC to collect fees and charges.

c. Question: Would you agree that it would be more prudent to appropriate sufficient funds to operate all FERC programs for the fiscal year and provide in the legislation that any revenues received be returned to the Treasury?

Answer: I believe that the appropriation language should ensure that the Commission receives full funding through direct appropriation.

d. Question: If Congress were to approve the President's budget request for your agency and therefore not necessarily provide you with sufficient funds to operate for the entire fiscal year, and if your revenues fall short of your $60 million projection, how would FERC pay its bills?

Answer: Severe operational difficulties would occur if the Commission's budget were dependent on the timing of receipts from regulated companies. If the Commission were partially funded by appropriations at the start of the year, there may be a hiatus in funding between when revenues were received and the appropriated amount was expended. The Commission would be forced to shut down until sufficient revenues were received to pay for operations. To ensure that a funding hiatus does not occur, the FY 1985 language must provide for full funding to cover the costs of FERC operations at the start of FY 1985.

FERC RELOCATION

15. Question: Last year's FY 1984 budget request included $5 million for FERC to relocate. No funds are requested for FY 1985. What happened to the Commission's plans to move to a safer location?

Answer: It is my understanding that for the last three years the Commission has been working with the General Services Administration and the Office of Management and Budget to move the agency to a safer location. I have been informed that GSA does not currently have a building in its inventory that could house our headquarters staff at one consolidated location in a more secure area of the city.

I am concerned about the safety of our employees and visitors and I have asked the staff to develop an options paper to consider the costs and benefits of various consolidation scenarios. I am also concerned about the negative effect of our present location on morale, productivity, and turnover. Considering the national energy issues that this Commission deliberates, I believe it is important to remove distractions and provide a secure working environment for our employees and visitors alike. I am confident that GSA and OMB will support me in this goal.

WELLHEAD NATURAL GAS PRICES AFTER DEREGULATION

16. Question: Your prepared statement includes a very brief discussion of what could happen to wellhead natural gas prices on January 1, 1985, under the NGPA. It states that, "Absent renogotiation, the price as determined under many of these decontrolled contracts is likely to be in excess of prevailing prices."

a. What evidence do you have to support this conclusion?

Answer: The Energy Information Administration has reviewed hundreds of these decontrolled contracts and published the results of their studies. The studies include "Natural Gas Producer/Purchaser Contracts and their Potential Impacts on the Natural Gas Market" (June, 1982) and "Structure and Trends in Natural Gas Wellhead Contracts" (November, 1983).

These studies document the prevalence of various types of pricing provisions, including oil-reference and favored nations clauses which are likely to produce these higher-than-prevailing prices, absent renegotiation. I reiterate, however, that the extent to which buyers will actually pay these prices is not clear.

INDEFINITE PRICE ESCALATOR CLAUSE

16 b. Question: If Congress does not enact new natural gas legislation to limit the effect of indefinite price escalator clauses upon expiration of NGPA price ceilings, what authority does the Commission have to use to limit the operation of those clauses?

Answer: The answer to the question of what authority, if any, the Commission currently has to limit the effect of indefinite price escalator clauses is not at all clear. For example, section 601(a)(1) of the Natural Gas Policy Act of 1978 states that the provisions of the Natural Gas Act and the jurisdiction of the Commission do not apply to a substantial portion of the nation's gas supplies. Moreover, the Fifth Circuit Court of Appeals decision in Pennzoil 1/ held that the Commission does not have the authority to interpret gas sales contracts for those vintages of gas which are no longer subject to the Natural Gas Act. On the other hand, a number of parties have aserted that the Commission retains athority to modify any term of any contract for the sale of gas to an interstate pipeline.2/ This assertion has been strongly contested by other persons. The Commission is currently reviewing the extent of its authority, and I have directed the General Counsel to fully explore this issue. Until I have received the staff's legal analysis, however, I am not prepared to give a more definite response.

1/ Pennzoil Co. v. FERC, 645 F.2d 360 (5th Cir. 1981), cert. denied, 454 U.S. 1142 (1982).

2/ See e.g. Complaint, Request for Evidentiary Hearing and for Expedited Consideration, and Petition for Declaratory Orders, filed by Tennessee Gas Pipeline Company, a Division of Tenneco Inc., Docket No. RP83-109-000 (filed July 14, 1983).

PREPAYMENTS FOR GAS

17. Question: Your prepared statement also includes a brief discussion of potential take-or-pay liability by interstate pipelines.

Based upon filings to date at the Commission, what is the extent of actual prepayments for gas not taken made to date by pipelines under your jurisdiction?

Based on those same filings, what type of prepayments do you project will actually be made in 1984? In 1985? In 1986?

Answer: The Commission staff has prepared the attached table which summarizes the take-or-pay prepayments presently included in the rates of eighteen of the major interstate pipelines. The Commission has not made any projections for 1984, 1985 or 1986. Any such projection as to actual prepayments is necessarily based on judgements as to a variety of factors, including each pipeline's future sales levels, take-or-pay percentages in each contract, and the extent of successful renegotiation of existing contracts as to both price and take-or-pay levels. As a result, there tends to be broad latitude for diverging opinions as to what prepayments will actually be in future years.

TABLE 1

Pipeline Co. & Docket No.	Prepayments Included in Rates (1)
Colorado Interstate Corp. RP82-54	$ 29.5 1/
Columbia Gas Trans. Corp. RP82-120	9.5 1/
El Paso Natural Gas Co. RP82-33	6.7 1/
KN Energy,Inc.RP82-8	4.0 1/
Michigan Wisconsin P.L.Co. RP82-80	125.5 1/
Natural Gas P.L. Co. of America RP83-68	44.0 2/
Northern Natural Gas Co. RP82-71	74.5 1/
Northwest Central P L. Corp. RP82-114	11.0 2/
Northwest Pipeline Corp. RP82-56	10.4 1/
Panhandle Eastern P.L. Co. RP82-58	2.0 2/
Trunkline Gas Co. TA83-2	38.3 1/
Southern Natural Gas Co. RP83-58	146.0 2/
Tennessee Gas Trans. Co. RP82-125	104.1 1/
Texas Eastern Trans.Corp. RP81-109	0
Texas Gas Trans. Corp. RP82-74	0
Transcontinental Gas P.L. Corp. RP83-11	93.7 1/
Transwestern Pipeline Co. RP83-25	.9 2/
United Gas Pipe Line Co. RP82-57	0

Take-or-Pay Prepayments Included
in Companies' Rate

Footnotes to Table

1/ Included in the company's "clean" rates, i.e., rates that have been approved by the Commission and are not subject to further action.

2/ Included subject to refund in the company's current rates.

HYDROPOWER LICENSING THRESHOLD

18. Question: Does your FY 1985 hydropower budget assume any changes in the licensing threshhold for hydropower projects?

Answer: By the phrase "change in licensing threshhold," I believe you are referring to any thoughts of raising the current capacity limitations of exemption projects from 5 MW to some higher level, thus reducing the number of potential projects subject to the FERC's licensing procedures. The FY 1985 hydropower budget does not assume any such change in the licensing threshhold.

CONSTRUCTION WORK IN PROGRESS

19. Question: Have you reviewed H.R. 555, the Construction Work in Progress Policy Act of 1983 which passed the House of Representatives on February 8, 1984? It would limit the recovery by public utilities of certain costs of construction work in progress and would partially overturn the Commission's recent CWIP rule. Do you support its enactment? Do you support any amendments to it?

Answer: I recently reviewed H.R. 555 and submitted to the House of Representatives my views in opposition to that legislation. I believe enactment of H.R. 555 would constitute a step backward from establishing public utility regulation on a basis amenable to rational, long-term planning.

As I understand it, the objective of this legislation is to reverse the Commission's Order No. 298, which many Members of the House of Representatives apparently find inimical to the interests of ratepayers. However, the final rule in Order No. 298 represents the fruit of years of Commission experience dealing with the cost of financing utility plant as it impacts wholesale electric rates. I believe it is a judicious reform of the anomalous practice of excluding from rate base the cost of financing ongoing construction programs. Not only did the 'financial distress' test for CWIP, which was abandoned by the Commission, afford the industry little assistance in a time of economic hardship and stop-gap regulatory policies, it did not enable utilities to prepare to meet the demands of the future.

H.R. 555 would basically reinstate the prior CWIP policy. As the Commission recognized in its revised CWIP rule, however, both utility companies and ratepayers can be hurt by the prolonged accrual of non-cash earnings on utility books. For the utility, the practice meant high financing costs, lower interest coverage ratios, severely diminished cash flow, and incentives to pursue short-term strategies that may defeat the goals of long-term planning, notably that of providing power to ratepayers at the lowest reasonable cost. More importantly for ratepayers, the earlier practice meant demands for power that did not relate to the current actual cost of that power and sudden increases in rates each time the costs of a newly operational facility, including accrued financing costs, were added to rate base. In sum, the enforced delay in recovering financing costs is difficult to justify for any utility and is indefensible for those undergoing financial stress. Yet, H.R. 555 would essentially reinstate that practice and place substantial impediments in the way of more expeditious cost recovery.

The current utility picture also disfavors the H.R. 555 approach. Large construction programs will eventually mean precipitous rate increases as facilities become operable. Many public utilities have construction programs which are significant in terms of the net worth of each such company. Such large construction programs have enormous implications for rates. Without a viable CWIP policy, the long-term cost of reliable power will escalate.

To date, twelve rate cases involving CWIP have been filed under the new rule. As these and future cases are addressed by the Commission, the Congress and the public will be able to ascertain more clearly whether the Commission's approach is equitable and economically viable. The Congress may wish to review the Commission's experience under the new rule before requiring so radical a reversal of Commission ratemaking policy.

The question at hand is whether the regulatory policy under which the utility industry meets the future will assist rational economic planning or lead to piecemeal short-term strategies. I believe the Commission's rule offers long-term benefits to the public that the Congress should not cast aside, particularly in favor of the administratively cumbersome and economically unpredictable scheme of H.R. 555.

APPENDIX VI

RESPONSES FROM MR. NOBLE TO ADDITIONAL COMMITTEE QUESTIONS

United States Synthetic Fuels Corporation
2121 K Street, N.W. Washington, District of Columbia 20586 Telephone: (202) 822-6600

March 7, 1984

The Honorable James A. McClure
Chairman
Senate Committee on Energy and
Natural Resources
Washington, D.C. 20510

Dear ~~Mr. Chairman:~~ Jim,

Thank you for the opportunity to testify before the Committee on Energy and Natural Resources with regard to the budget and program of the Synthetic Fuels Corporation for fiscal years 1984 and 1985.

In connection with my testimony, I am enclosing my responses to the questions submitted for the record, together with those additional items I promised the Committee.

I look forward to working with you and the other members of the Committee as we continue our efforts to develop a viable synthetic fuels industry.

Sincerely,

Edward E. Noble
Chairman of the Board

Enclosures

QUESTION 1. The President's proposed budget for Fiscal Year 1985 anticipates that the SFC will obligate approximately $10 billion in Fiscal Year 1984 and the balance will be obligated in Fiscal Year 1985. How do you propose to achieve on time the President's proposed award schedule?

ANSWER As I noted in my testimony, our Basic Business Plan and Project Solicitation Schedule outline the direction and schedule of awards for this period and show how it is anticipated that the funding levels provided for the Corporation in the Appendix to the President's Budget for Fiscal Year 1985. The Corporation's actual total unused program authority at the beginning of fiscal 1984 was $14.75 billion, excluding monies reserved but unused for the Colony oil shale project. Our Basic Business Plan estimates commitments in fiscal years 1984 and 1985 of about $11.0 billion to satisfy the resource and technology diversity objectives of the Energy Security Act. The roughly $4.0 billion which remains will be used for additional coal or shale projects and for reserve contingencies, as the directors determine to be appropriate with respect to the goals of the Energy Security Act.

QUESTION 2. When does the SFC plan to submit the Comprehensive Strategy as required by Section 126 of the Energy Security Act?

ANSWER At its February 16, 1984 meeting, the Board announced its intention to submit the Corporation's Comprehensive Strategy to Congress by June 30, 1984, as provided by Section 126 of the Energy Security Act, and to supplement the original strategy

35-235 O - 84 - 67

(Answer "2" continued)

submission during 1985 to reflect information and experience gained in completing the first phase financing awards.

QUESTION 3. Mr. Noble, will you please bring us up to date on the status of filling Board and senior staff vacancies?

ANSWER With regard to senior staff vacancies, the Board, at our February 16, 1984 meeting, unanimously elected Victor M. Thompson, Jr. to the position of President with overall responsibility for day-to-day management and operations. The Board also elected Robert W. Gambino as Group Vice President-Corporate responsible for the overall management of the finance, external relations and administrative operations of the Corporation. Charles D. Hartman was elected by the Board to serve as Vice President-External Relations with responsibility for liaison with Congress, the media, state and local government and the synthetic fuels industry.

In addition, the Board amended the Corporation's System of Organization to include a Vice President-Contract Management and Contract Management Group. The position of Senior Vice President-Finance was abolished by the Board.

(Answer "3" continued)

Other than the position of Vice President-Policy Development, and Vice President-Contract Management, all of our senior staff vacancies have been filled.

Regarding Board vacancies, I have been in close communication with the Office of Personnel at the White House in order to expedite the selection of nominees.

QUESTION 4. Please comment on the reported SFC use of "safehouses" to store information on individual projects. What are they and how are they employed?

ANSWER The U.S. Synthetic Fuels Corporation does not own, operate or maintain "safehouses." The term "safehouse" identifies a procedure, not a location. The process refers to the practice of private business to maintain, in their own corporate offices, locked and secured files that are designed to protect and safeguard highly advanced design technology data that a company may have spent up to hundreds of millions of dollars to develop. The protection provided by these companies is against competitors or those unwilling to pay royalties to license the technology.

(Answer "4" continued)

As part of our project evaluation process, the SFC staff can and does review "safehouse" material in order to verify project sponsors' representations with regard to the development of this technology. Nondisclosure agreements must be signed by any SFC staff or Board member wishing to review such material.

QUESTION 5. As reported in the press, Chairman Noble requires psychiatric tests for certain employees. Is this the case and, if so, why?

ANSWER A few individuals have undergone psychological testing by the Corporation. Participation in every case has been voluntary, and the purpose has always been to measure the individual's aptitude and potential in terms of a specific senior level and/or high sensitivity job. This testing is but one of many tools used in the overall evaluation of the individual for the specific position. Such testing is not uncommon in either the public or private sectors. In fact, the nuclear industry, state police departments, sales oriented firms and the Federal Aviation Administration are among categories of employers who require job applicants to undergo psychological testing.

QUESTION 6. Recently the Senate Subcommittee on Energy and Mineral Resources held three hearings on reintroducing coal as a fuel for the Nation's railroad locomotives. Testimony received indicated that while this reintroduction would bring about enormous savings, there was great reluctance on the part of the railroad industry to convert due to the enormous capital expenditures that would have been incurred to utilize on unproven technology.

The railroad industry is looking for aid and support in testing the coal prototype engine and the coal-derived fuel that the engine would use.

Subsequent to the hearings, our staffs have discussed what assistance the Synthetic Fuels Corporation may be able to provide to encourage private industry to go forward expeditiously with the fuel and the engine.

What guidance can you provide on how we should proceed with this initiative?

ANSWER The Energy Security Act has provided the SFC with authority for assisting the construction and operation of commercial facilities for the production of certain defined synthetic fuels. SFC assistance may not be applied to R&D activities nor to assist fuel end-use facilities.

(Answer "6" continued)

In the example cited, the Corporation could assist a commercial project to produce coal-derived fuel for the locomotive engine. To this end, sponsors of the project could apply for assistance under the Corporation's fourth general solicitation, which has a closing date for proposals of June 29, 1984 or, possibly, under the Corporation's Coal-Water Solicitation, which has a closing date of June 15, 1984 If the engines were the primary users of fuel produced from such facilities, sufficient engine testing would have to be complete by that time to permit specification of the coal-derived fuels and design of production facilities to meet the requirements associated with the solicitation deadline.

QUESTION 7. Could you outline your efforts to increase the production and utilization of Eastern coal through your synthetic fuels program?

ANSWER The Corporation's Board of Directors is strongly committed to the development of the Nation's vast coal resources, including coals located east of the Mississippi. One of the Corporation's stated goals for 1984 is to carry forward a broadly representative group of coal projects. In pursuit of this goal, the Corporation's Board of Directors has approved five solicitations designed specifically for coal-based projects. In addition, the recently approved fourth general solicitation includes coal as an eligible resource.

(Answer "7" continued)

The Corporation initially issued three general solicitations in which project sponsors were invited to present proposals for, among other resources, projects using Eastern coal. The opening and closing dates of these solicitations were:

Solicitation 1	November 21, 1980
	March 31, 1981
Solicitation 2	December 11, 1981
	June 1, 1982
Solicitation 3	August 19, 1982
	January 10, 1983

The first effort to target coal was made in February, 1983, when the Board authorized the preparation of a Competitive Solicitation for Gulf Province Lignite Gasification Projects. As a result of this solicitation, the Corporation is negotiating with sponsors of the Arkansas Lignite Conversion Project for construction of an 11,400 BOED facility.

(Answer "7" continued)

In April, 1983, the Board authorized preparation of a Competitive Solicitation for Eastern Province and the Eastern Region of the Interior Province Bituminous Coal Gasification Projects. Of the proposals submitted, three were designated qualified bidders and one submitted a technical proposal and bid by March 6, 1984. One project proposes to build a facility producing 10,000 BOED. The other two are considering entering either the retrofit or fourth general solicitation instead.

In January and February, 1984, the Corporation's Board of Directors gave final approval to three additional coal solicitations:

1. Solicitation for Coal or Lignite Gasification Projects,

2. Solicitation for Coal-Water Fuel Projects, and

3. Solicitation for Coal or Lignite Gasification or Liquefaction Retrofit Projects.

Under the coal-water solicitation, the Board intends to make at least two awards, one to an industrial project and one to a utility project. Awards are also anticipated under the other solicitations.

(Answer "7" continued)

The Corporation provided drafts of these solicitations to more than 200 firms that it believed might be interested in sponsoring projects. The Corporation's staff held preproposal discussions with potential project sponsors to provide in-depth information about the Corporation's financial assistance and solicitation processes. Senior Corporation executives have met and continue to meet with their counterparts in industry to promote interest in and commitment to coal-based projects.

Mr. Chairman, in your prepared testimony before the Energy and Natural Resources Committee, you assert (on page 8) that any attempt to alter SFC funding or limit its authority would "halt the development of coal projects (emphasis supplied)." With regard to that conclusion, I have the following questions:

QUESTION 8. What specific restrictions on funding would cause this result?

ANSWER To restrict, defer, limit or prohibit the total obligational authority of the Corporation or any substantial portion of such authority would halt the development of synthetic fuels projects using coal. For the solicitations discussed in the answer to question 7, such efforts would interrupt the equity formation and award process. Government inconsistency regarding the Phase I SFC program would put at risk the involvement of equity

(Answer "8" continued)

participants. A similar result could attend the coal projects in the third and fourth general solicitations. This is because the Corporation's basic oil shale and tar sands/heavy oils programs have been substantially achieved. Coal projects have particular problems with respect to equity formation and 1984 is the year in which coal projects will be emphasized. Alteration of the program would be particularly hard on coal projects.

QUESTION 9. What specific restrictions on SFC authority would cause this result and why?

ANSWER 9 As noted in the previous response (number 8), to restrict, defer, limit or prohibit the the use of Corporation's funding authority or any substantial portion of such authority could halt or retard the SFC's development of coal projects. This year is pivotal in the completion of Phase I of the SFC program. The most obvious restriction would be the postponement of the Corporation's authority to commit funds, as proposed by Senator Proxmire in his bill S. 2358.

QUESTION 10. What authority does the SFC now exercise, apparently to the benefit of coal projects, which could henceforth be limited so as to dramatically affect the viability of these projects.

ANSWER 10 The SFC's ability to grant financial assistance substantially affects the viability of coal projects. Without it, the unassisted rates of return for coal projects average minus 40 to zero percent per annum.

QUESTION 11. Why is coal specifically noted as the project type which would be completely halted by unspecified restrictions on SFC funding authority?

ANSWER The requirements facing a coal project are far greater in number and complexity than are those facing the sponsors of other synthetic fuels projects; and, as a result, equity participants are more difficult to attract and more easily dissuaded from participation. As noted in the answer to question 7, the Corporation will emphasize coal projects during 1984. The oil shale and tar sands/heavy oils programs have been substantially achieved.

Nonetheless, it is possible that a vital synthetic fuels resource --coal-- could fall victim to a rescission of the SFC's obligational authority, before the Corporation is able to complete its assistance to coal projects.

QUESTION 12. Under the statutory authority vested in the SFC, how could the fourth solicitation (expected in late March) be structured so as to enhance the development of coal which has to date enjoyed a disproportionately small success rate in the project solicitation history?

ANSWER 12 The Fourth General Solicitation for Synthetic Fuel Projects was given final approval by the Corporation's Board of Directors on February 16, 1984. The solicitation includes three specific provisions which may enhance the opportunity for the development of coal projects. The first provision widens the eligible resource base to include domestic coals of all ranks. A number of earlier solicitations issued by the Corporation focused on specific coal resource bases. The second provision extended the deadline for proposal submission by approximately 60 days, thereby providing time for coal projects, the development of which is generally more complex than either oil shale or tar sands/heavy oil projects. Finally, the Board adopted a provision for the selective postponement of the proposal requirement to demonstrate a Level II/III design and corresponding project cost estimate by a date certain. This provision is to be applicable to those projects that, in the judgment of the Board, offer technical and resource diversity advantages, (i.e., are most applicable to priority program areas such as coal).

QUESTION 13. What legislative actions would you recommend, referring to the 1983 annual report of the SFC, to enhance the opportunities for coal projects to so qualify for future SFC solicitations?

ANSWER 13 Several of the legislative actions recommended in the Corporation's 1983 Annual Report could significantly benefit coal-based synthetic fuel projects. Two tax incentives designed to create an attractive investment climate for the infant synthetic fuels industry - the energy tax credit (ETC) and the production tax credit (PTC) - are currently subject to limitations that restrict their benefit.

Expenditures through 1990 can qualify for the ETC only if a sponsor has completed engineering studies and permitting requirements by the end of 1982 and has contracts for half of the specially designed equipment by the end of 1985. These two "affirmative commitment" dates have proven to be unduly restrictive for synfuels development and particularly for coal projects. Very few of the coal projects under review and negotiation by the Corporation meet the 1982 deadline. The ETC is highly potent; one dollar of credit has the equivalent impact on investors' return of more than $5 of price supports. The Corporation vigorously supports an extension of the ETC as described above and has testified before both the House and Senate in 1983 on proposed legislation favorable to such an extension. Attached as an Appendix is testimony on the subject delivered by the Corporation's Vice President for Finance, on June 17, 1983, before the Senate Finance Committee's Subcommittee on Energy and Agricultural Taxation.

(Answer "13" continued)

Additionally, the ETC is not applicable to certain equipment related to synthetic fuel production, and the PTC is denied when the buyer of the fuel is not "at arms-length" to the producer. Both credits would prove more potent if such limits were removed. The utility of the PTC would be further improved by allowing carryover such as is allowed with other types of tax credit.

The amendment of section 131(b)(4) of the Energy Security Act proposed in the Corporation's 1983 Annual Report would permit the Corporation to respond more quickly and flexibly to promising coal projects.

QUESTION 14. Does the SFC prioritize, or rank, synthetic fuels projects by type (i.e., oil shale, peat, coal, etc.) so as to result in coal projects suffering so dramatically from funding or authority restrictions?

QUESTION 15. If the answer is yes, on what basis is this done, and why does the SFC rank coal in such a position?

ANSWER (Qs 14 & 15) The SFC does prioritize resources according to quantity and potential value to the synthetic fuels program. The SFC is striving to achieve diversity within each resource with respect to replicability of the feedstocks and technology utilization. Two resources targeted as high priority are coal and oil shale.

(Questions "14 & 15" continued)

The negative impact on coal projects referred to in the SFC testimony results not from any lack of priority on the part of SFC, but rather from the impact of Congressional action to curtail SFC authority during the period when major financial decisions are being made by potential industry coal project sponsors. Due to the economics involved in converting coal to synthetic fuels, coal projects have been developing more slowly than oil shale, tar sands and heavy oil projects. Thus, any attempt to materially limit SFC funding now would place a restriction on the amount of obligational authority available primarily to coal projects, since commitments have already been made to oil shale and tar sands/heavy oil projects.

QUESTION 16. With reference to the SFC recommendations for legislation in its 1983 annual report (page 18), would the enactment of legislation enhancing the tax credits for "semiworks" (plants larger than initial pilot plants but smaller than commercial plants) facilitate development of coal-based projects?

ANSWER Enactment of legislation enhancing tax credits for semiworks (i.e., plants larger than initial pilot plants but smaller and considerably more short-lived than commercial plants) would be an important step in facilitating coal-based synthetic fuel projects. As the Corporation stated in its 1983 Annual Report, it believes that maximum reliance should be placed on the private

(Answer "16" continued)

sector in selecting and funding those semiworks that are most promising. The Corporation recommends placing primary reliance on tax benefits such as the research and development tax credits that would be provided by S. 2165 or H.R. 4475. Such tax incentives could be further supplemented by providing the Corporation with authority to assist semiworks through the use of incentive payments discussed in the 1983 Annual Report. The semiworks stage is important in the development of commercial coal-based projects.

QUESTION 17. What specific strategy, and anticipated actions, does the SFC propose to encourage development of more coal-based synthetic fuels projects?

ANSWER On January 5, 1984 and February 16, 1984, the Corporation's Board of Directors gave final approval to solicitations which are limited specifically to coal projects. These are: (1) the Solicitation for Coal or Lignite Gasification Projects; (2) the Solicitation for Coal-Water Fuel Projects; and (3) the Solicitation for Coal or Lignite Gasification or Liquefaction Retrofit Projects. On February 16, 1984, the Board also gave final approval of the Fourth General Solicitation for Synthetic Fuel Projects that includes coals of all ranks in the list of resources eligible for consideration under the terms of the solicitation. The Board has made clear its intention to make at least two awards under the coal-water mixture solicitation.

(Answer "17" continued)

The Corporation continues to pursue outreach efforts to encourage development of coal-based projects. The Corporation attempts to be sensitive to the requirements of the private sector in structuring the terms and conditions under which concerns compete for financial assistance. For example, as a result of meetings with industry representatives, the Board extended the deadlines for proposal submission in the retrofit and fourth general solicitations to allow more time for project development. Additionally, in the fourth general solicitation the Board added a provision to provide for a selective postponement of the requirement to demonstrate in the proposal that the project has attained a Level II/III design and corresponding cost estimate. This provision is to be granted to those projects which, in the judgment of the Board, offer programmatic advantages; this may offer coal projects greater opportunity to compete under the terms of the solicitation.

The Corporation provided draft solicitations to more than 200 firms which it believed may be interested in sponsoring projects. Our staff held discussions with potential project sponsors to provide in-depth information about our financial assistance and solicitation processes. Senior management has met and continues to meet with their counterparts in industries which may become serious sponsors of coal-based projects.

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(Answer "17" continued)

The Corporation's Board of Directors is strongly committed to coal. Within the past twelve months the Board has given final approval to five solicitations for coal-based projects. The Corporation currently has eight coal-based projects before it in various stages of evaluation or negotiation. These activities make clear, I believe, the Board's intention to vigorously pursue coal-based projects.

QUESTION 18. There seems to be a striking lack of coordination of the overall activities on alternative energy R&D among the various departments, agencies, and quasi-autonomous corporations of the federal government. R&D in breeder reactor systems, solar and renewables, synfuels, as well as conservation activities are not coordinated in any systematic way to achieve the maximum effect for each dollar spent.

While I am aware of the intent of the legislation establishing SFC to separate it as much as possible from other federal agencies, I feel that there is an acute need for greater coordination of all the various activities.

a) Please explain (briefly) your view of SFC's particular role in the overall alternative energy R&D efforts of the U.S. government;

(Question "18" continued)

b) If there were to be strengthened coordination of activities, where specifically do you see it taking place given the current institutional arrangements? (although not confined to them)

ANSWER The federal government supports a wide variety of energy efforts. These efforts are more cohesive than they might seem. For example, R&D activities for the alternative energy sources cited in the question are conducted by the Department of Energy (the SFC having no authority to conduct or support R&D). Public Law 95-91, the Department of Energy Organization Act, requires DOE to submit every two years on the odd year to the Congress a National Energy Policy Plan. The most recent Plan was submitted in October 1983. In the formuluation of this plan, DOE consulted with the SFC. This Plan addresses the promotion of a balanced and diverse energy resource system, specifically including energy R&D. The authority of the SFC to support commercial production facilities for synthetic fuels is an exception to this general approach. Congress believed that the special financial requirements of large complex pioneer synthetic fuel facilities justified the creation of a special federal entity. In order to avoid any potential for uncoordinated activities, Congress severely limited the SFC mandate within the structure of the Energy Security Act and established an Advisory Committee to the SFC that includes,

(Answer "18" continued)

among others, the Secretary of Energy. The Corporation does not believe that additional federal institutional arrangements are required, although we do advocate allowing the Corporation authority to assist semiworks facilities.

QUESTION 19. For energy conservation activities, one can develop criteria by which to measure the impact of federal expenditures. For example, the program of local assistance of schools and hospitals administered by DOE estimates that a one-time Federal investment of one dollar results in a reduction in school and hospital energy costs of $6.20 over a ten-year period (based on current energy prices). The SFC seems to be investing (or planning to award) great sums of money, but getting a very low return on its initial investments ($120 million in FY 1983 and an estimated $10.3 billion in FY 1984).

What specific criteria are you using (in terms of energy production created per dollar of investment) to justify the specific investments that you have approved?

ANSWER Section 126(a)(2)(A) of the Energy Security Act provides that, prior to the approval of a Comprehensive Strategy, the Corporation shall provide financial assistance so as to incorporate a technological diversity of processes, methods and techniques for each domestic resource that offers significant

(Answer "19" continued)

potential for use as a synthetic fuel feedstock and the potential for achieving the national synthetic fuel production goal.

In selecting among competing proposals utilizing a given technological process, the Corporation is required, pursuant to section 131(b)(2)(A) of the Act, to give preference to the proposal which represents the least commitment of financial assistance by the Corporation and the lowest unit production cost, taking into account the amount and value of the anticipated synthetic fuel products.

Among other relevant factors the Corporation is required to consider in awarding financial assistance are the diversity of technologies, the potential cost per barrel or unit production of synthetic fuel from the project, the overall production potential of the technology, and the potential of the technology for complying with applicable regulatory requirements (section 131(b)(3)).

In evaluating feedstocks, technologies and proposals for specific potential synthetic fuel projects, the Corporation uses all these statutorily mandated criteria.

(Answer "19" continued)

As long as the costs of production of synthetic fuels exceed the current energy prices of comparable amounts of petroleum or natural gas, no direct short term savings can be calculated as DOE does for its schools and hospitals programs. When the price guarantee assistance levels identified in current letters of intent are calculated over the life of these plants and taxpayer recovery is factored in, however, the net per barrel assistance to synfuels is between $1 and $2 (using OMB's projections for inflation and oil prices).

It should be understood, however, that the Corporation was established to promote the nation's long-term energy and national security, rather than any short-term energy economies. Our purpose is to accelerate development of a synthetic fuels industry to utilize our vast domestic reserves of solid fossil energy and so assure the country freedom from manipulation or blackmail by foreign oil producers. Specifically, the Corporation shares with private industry sponsors the economic risks associated with innovative technologies and out year energy price projections by providing contingent financial assistance to the most promising projects. The construction and operation of the commercial synthetic fuel projects funded under Phase I of the Corporation's program will serve not only as a benchmark against which to calculate the costs of succeeding projects but will also provide the experience necessary to improve technology and reduce costs for future projects.

(Answer "19" continued)

The SASOL experience in South Africa illustrates the importance of learning phenomena. SASOL I provided practical experience that improved design and operating approaches for SASOL II. Unit costs for SASOL II are lower than for SASOL I. Moreover, the SASOL I experience provided important confidence for undertaking the full scale SASOL II project and then initiating design and construction on SASOL III even before SASOL II had been completed, and at a 20 percent cost reduction over SASOL II. The importance of start-up experience is illustrated by the fact that SASOL III reached full production about a year faster than SASOL II, based on learning from the SASOL II start-up. This amounts to an extra year of full synthetic fuels production.

But, as discussed above, the real purpose and ultimate value of developing synthetic fuels under the Energy Security Act is their insurance value to the country. Critical to any cost-benefit calculation for synthetic fuels is consideration of their value in the event of a major and prolonged disruption in foreign oil supplies and the attendant economic dislocation this would cause in U.S. and other free world nations. The principal value of today's synthetic fuel program is to develop the synthetic fuels option -- that is, to foreshorten substantially (by several years) this nation's ability to bring on-line major alternative supplies to imported oil. Should such a need arise, the capability to produce synthetic liquids efficiently and in an evironmentally acceptable manner would provide enormous economic benefits to the country.

QUESTION 20. There was no mention of environmental guidelines in your prepared statement regarding any of the synfuel technologies. Please specify, by type of technology, what sort of pollutants are generated. What environmental guidelines are applied to the projects that are receiving assistance or are about to receive assistance (Cool Water, Parachute Creek, etc.)?

ANSWER 20 In the attached tables 1 and 2 are described the types of pollutant streams which will be generated by commercial synthetic fuels facilities. Table 1 describes the pollutant streams according to generic synthetic fuel feedstock, and Table 2 describes the pollutant streams associated with various coal conversion technologies. (The Corporation can provide additional information on the anticipated pollutant composition of these streams upon request.) There are a variety of pollution control technologies already proven in refineries, chemical plants, steel mills, and coal and oil burning electric utilities which can be applied to capture and/or control the regulated pollutants in these streams. Prior to an award of financial assistance, projects receive a review of their ability to capture and control environmental emissions through staff evaluations of the control technologies proposed and the data bases supporting these technologies. In addition, both the regulated and unregulated pollutants generated by each synthetic fuels facility receiving assistance from the Corporation will be monitored pursuant to the Corporation's Environmental Monitoring Plan Guidelines as discussed below.

(Answer "20" continued)

With regard to the environmental guidelines which are applied to projects receiving assistance, the ESA's "Findings and Purposes" clause states that the Corporation should foster the creation of a synthetic fuels industry "in an environmentally acceptable manner." Two specific provisions of the Act relate to this goal:

- o Project compliance with applicable regulatory requirements [131(b)(3)]; and

- o Monitoring of environmental and health-related emissions [131(e)].

Pursuant to these statutory obligations, as well as our obligation to act as prudent lenders, we have adopted environmental evaluation criteria and environmental monitoring plan requirements under which we determine if an applicant for financial assistance:

- o has obtained, or will in timely fashion obtain, all necessary environmental permits;

- o exhibits an awareness of, and has planned for, expected regulatory changes;

(Answer "20" continued)

- o has obtained, or will in timely fashion obtain, secure sources of water for the project;
- o develops an acceptable monitoring outline and plan, in consultation with EPA, DOE, and appropriate state agencies, to produce information on environmental and health impacts associated with project development, including data on potentially hazardous substances currently unregulated;
- o has assessed the labor requirements for project construction and operation;
- o realistically identifies the project's needs during both the construction and operation with respect to community and regional infrastructure, housing, and services; and
- o develops a reasonable socioeconomic impact mitigation strategy in close cooperation with affected states and local communities, and with input from affected citizenry.

The Corporation's Evaluation Process

Regulatory Compliance

A. Essentially, we rely on the federal, state, and local agencies regarding a sponsor's ability to obtain and comply with its permits. We have ongoing contact with these permit officials

(Answer "20" continued)

to obtain confirmation that permits are, or will be, issued on a schedule consistent with project milestones. The Corporation seeks to get an early reading on potential permit delays or related problems which could impact project scheduling.

As reflected above, all projects under consideration by the Corporation are subject to review under existing federal, state, and local environmental laws. Further, all such projects have been required to obtain permits under federal and/or state air quality, water quality, and solid waste disposal laws, etc. More specifically, nearly all projects are of sufficient size to trigger the requirement for a Prevention of Significant Deterioration (PSD) permit under the Clean Air Act. As a result of receiving a PSD permit, these projects will be required to control their air emissions with the Best Available Control Technology (BACT). Most projects currently under consideration by the Corporation will also require a National Pollutant Discharge Elimination System (NPDES) permit for their discharge of wastewater. Some projects will be using zero discharge or underground injection designs for wastewater disposal, and they will be permitted for such activities under appropriate federal and state rules. The vast bulk of the solid waste generated at the synthetic fuel plants under consideration by the Corporation will be nonhazardous and will be disposed of (usually in off-site landfills) in accordance with applicable solid waste regulations. Similarly, where

(Answer "20" continued)

hazardous wastes are generated, they too will be disposed of (again, usually in off-site landfills) in accordance with applicable hazardous waste regulations. There are currently special requirements for spent shale disposal in states such as Colorado which must be met by Corporation-assisted projects.

Further, there are often additional government approvals required for project construction and operations, such as mining and siting permits and environmental impact statements.

B. Environmental Monitoring:

The Corporation views the identification and characterization of areas of concern and the development of an information base for the mitigation of problems associated with the replication of synthetic fuels projects to be the fundamental purpose of environmental and health monitoring pursuant to Environmental Monitoring Plans required under Section 131(e) of the ESA. Toward this end, the Corporation adopted Environmental Monitoring Plan Guidelines (48 FR 46676-46685), which require that a sponsor perform a broad range of monitoring activities related to potential environmental and health impacts of its project. Environmental monitoring pursuant to Section 131(e) shall include compliance monitoring and, as appropriate, supplemental monitoring. Compliance monitoring, whose

(Answer "20" continued)

fundamental purpose is to fulfill the sponsor's regulatory obligations, is included as part of Section 131(e), environmental monitoring. The results of such monitoring are necessary both to provide the Corporation with a broad information base that is relevant to replication of synthetic fuels projects and to provide the basis for evaluating the proper scope of supplemental monitoring. Each sponsor will be required, as appropriate, to perform supplemental monitoring to develop information not provided by compliance monitoring, in areas such as the types and amounts of certain unregulated substances emitted from its synthetic fuel plant. The sponsor, through its Environmental Monitoring Plan, will integrate compliance and supplemental monitoring activities to create a sound monitoring program during the life cycle of the synthetic fuels project.

The Corporation requires that the Environmental Monitoring Plan be developed in two stages. During the first stage, the sponsor is required to develop an Environmental Monitoring Outline in consultation with the U.S. Department of Energy, the U.S. Environmental Protection Agency, and appropriate state agencies [the "consulting" agencies designated by Section 131(e)]. This Outline, which should contain a general description of the sponsor's monitoring tasks, must be found acceptable by the Corporation and, for those projects receiving

(Answer "20" continued)

financial assistance, will be incorporated into the financial assistance agreement. During the second stage, the sponsor is required, by a date to be fixed in the financial assistance agreement, to develop an Environmental Monitoring Plan in consultation with the consulting agencies. This Plan should contain a detailed description, based upon the terms of the Outline, of the specific monitoring tasks to be undertaken in connection with the project and must also be found acceptable by the Corporation.

Additional information regarding the Corporation's monitoring activities are discussed below and in the response provided to Question 23.

C. Socioeconomic Impacts:

The level of potential socioeconomic impacts (relating to labor demand, housing, transportation, and public services) for a given project and the adequacy of mitigation measures proposed by the sponsor are evaluated based on several inputs:

- o The project sponsor's proposal;
- o Review of both siting permits (and similar approvals) and any non-permit mitigation agreements which have been negotiated between the sponsor and state and local officials; and

(Answer "20" continued)

o Comments from individuals and citizen groups.

The Corporation staff conducts its own independent assessment to determine if the mitigation measures are adequate to reduce anticipated adverse socioeconomic impacts. In addition, it is anticipated that, where appropriate, the Corporation's agreements for financial assistance may require project sponsors to conduct socioeconomic monitoring and implement mitigation measures.

D. Water Supply:

The Corporation evaluates each project to determine whether the sponsor has secured, or will be able to secure, sufficient water rights (legal availability of water), and whether an adequate water supply is available (physical availability of water) to meet project needs throughout its operating life. In instances where projects are located in areas where water resources are of special concern, the Corporation has utilized independent expertise to verify both the legal and physical availability of necessary water supplies. As with socioeconomic impacts, it is anticipated that, where appropriate, the Corporation's agreements for financial assistance will require project sponsors to monitor water supply availability and respond to any potential problems.

QUESTION 21. Please provide the following information concerning the status of projects for which the Corporation has signed letters of intent and for the projects with which the Corporation is negotiating --

a. participants
b. technology involved,
c. anticipated beginning and end of construction,
d. anticipated output of oil expressed in barrels per day, equivalent,
e. anticipated cost of the plant,
f. estimated cost of the product,
g. amount of support promised, anticipated or requested (whichever is applicable).

ANSWER 21 The following chart provides the information requested which is available in the project public summaries. In addition, information on anticipated cost of the plant and amount of support promised, anticipated or requested, which can be held confidential under Section 121 of the Energy Security Act, is provided for those projects which have either voluntarily released this information or had it released as part of a signed term sheet. To our knowledge, none of the project sponsors have disclosed their estimated product costs.

ANSWER TO QUESTION 21 OF THE SENATE ENERGY COMMITTEE

PROJECT	PARTICIPANTS	RESOURCE/ TECHNOLOGY	* STATUS	CONSTRUCTION		LIFESPAN	PLANNED PRODUCTION (BOED)	PROJECT COST**	PRODUCT COST**	ASSISTANCE LEVEL***
				BEGIN	END					
HOP Kern River	Ladd Petroleum Corporation	Heavy Oil/ In Situ Production	OU	1985	1987	11 years	3,938	ND	ND	$72.5 million in convertible loan and price guarantees
First Colony	PMA Associates (Koppers & North Carolina Synfuels Corp.), Transco Energy, ETCO Methanol, Inc. & J.B. Sunderland Corporation	Peat/Gasification Methanol	LOI	1982	1986	Over 20 Years	2,158	$576 million (including secondary contingency)	ND	$820,750 in 131(u) monies $465 million in convertible loan price guarantees
Great Plains	Tenneco, American Natural Resources Company, Transco Energy, MidCon Corporation and Pacific Lighting Company	Lignite/ Gasification	IN	under way	late 1984	At least 20 years	22,000 BOED	$2.113 billion	ND	ND

* LOI - Letter of Intent; OU - Oral understanding potentially leading to a Letter of Intent; IN - In Negotiations.
** ND - May be nondisclosable pursuant to Section 121 of the Energy Security Act.

PROJECT	PARTICIPANTS	RESOURCE/ TECHNOLOGY	* STATUS	CONSTRUCTION		LIFESPAN	PLANNED PRODUCTION (BOED)	PROJECT COST**	PRODUCT COST**	ASSISTANCE LEVEL**
				BEGIN	END					
Union Oil Parachute Creek - Phase II	Unocal	Shale/Retorting followed by upgrading employing improved retorting process	LOI	Increment I 22,576 BOED Dec. 1985 IncrementII 22,576 BOED Dec. 1989	 Sept. 1989 Sept. 1992	30 years	45,152	Increment I $1.8 billion Increment II $1.4 billion Total: $3.2 billion	ND	$2.7 billion in price guarantees
Cathedral Bluffs	Occidental Petroleum, Tenneco & Peter Kiewitt Sons', Inc.	Shale/Surface Retorting and modified in situ retorting followed by upgrading	LOI	1985	Above ground and upgrading mid-1987 MIS facilities mid-1988	30 years	14,100	Estimated Eligible costs (as-spent dollars $2.67 billion	ND	$2.19 billion in convertible loan and price guarantees

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PROJECT	PARTICIPANTS	RESOURCE/ TECHNOLOGY	* STATUS	CONSTRUCTION		LIFESPAN	PLANNED PRODUCTION (BOED)	PROJECT COST**	PRODUCT COST**	ASSISTANCE LEVEL**
				BEGIN	END					
Seep Ridge	Geokinetics, Private individual investors	Shale/In situ retorting	OU	UW	1986	20 years	1,000	ND	ND	$45 million in convertible loan and price guarantees
Chaparrosa Ranch Tar Sands	Chaparrosa Oil Company	Tar Sands/ Fracture-Assisted Steam Flood	IN	1985	1986	20 years	5,350	ND	ND	ND
Dow Syngas	Dow Chemical	Coal/ Gasification	OU	late 1984	1987	30 years	5,172	ND	ND	Proceeding with the negotiation of a letter of intent for $620 million in price guarantees

* LOI - Letter of Intent; OU - Oral understanding potentially leading to a Letter of Intent; IN - In Negotiations.
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PROJECT	PARTICIPANTS	RESOURCE/ TECHNOLOGY	* STATUS	CONSTRUCTION		LIFESPAN	PLANNED PRODUCTION (BOED)	PROJECT COST**	PRODUCT COST**	ASSISTANCE LEVEL**
				BEGIN	END					
Forest Hill	Greenwich Oil Company	Heavy Oil/ In situ Fire Flood Process	IN	late 1984	mid 1986	23 years	1,870	ND	ND	ND
Kentucky Tar Sand	Texas Gas Resources Corp.	Tar Sand/ Surface Mining and Solvent Extraction	IN	mid 1984	late 1986	20 years	5,600	ND	ND	ND
Means Oil Shale	Southern Pacific Petroleum, Central Pacific Minerals and Dravo Engineers, Inc.	Oil shale/ Circular travelling grate retorting followed by upgrading	IN	1985	mid 1987	25 years	14,367	ND	ND	ND

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** ND - May be nondisclosable pursuant to Section 121 of the Energy Security Act.

PROJECT	PARTICIPANTS	RESOURCE/ TECHNOLOGY	* STATUS	CONSTRUCTION		LIFESPAN	PLANNED PRODUCTION (BOED)	PROJECT COST**	PRODUCT COST**	ASSISTANCE LEVEL**
				BEGIN	END					
Memphis Industrial Fuel Gas	Foster Wheeler, Cives Corp., Ingersoll-Rand Co., CBI Industries, Great Lakes Int'l., IGT and City of Memphis	Coal/ Gasification	IN	late 1984	mid 1988	30 years	8,621	ND	ND	ND
North Alabama Coal-to-Methanol	Air Products & Chemicals, Houston Natural Gas, Raytheon International and TVA	Coal/Gasification Indirect Liquefaction	IN	late 1984	late 1987	30 years	7,341	ND	ND	ND
Northern Peat Energy	Signal Cleanfuels Corporation	Peat/Wet Carbonization	IN	mid 1985	mid 1987	20 years	3,065	ND	ND	ND
Paraho-Ute	Texas Eastern, Signal, Raymond International and Paraho Development Corp.	Shale/Retorting with upgrading	IN	1985	1988	34 years	14,436	ND	ND	ND

* LOI - Letter of Intent; OU - Oral understanding potentially leading to a Letter of Intent; IN - In Negotiations.
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PROJECT	PARTICIPANTS	RESOURCE/ TECHNOLOGY	* STATUS	CONSTRUCTION		LIFESPAN	PLANNED PRODUCTION (BOED)	PROJECT COST**	PRODUCT COST**	ASSISTANCE LEVEL**
				BEGIN	END					
Sunnyside Tar Sands	Standard Oil of California and GNC Energy Corp.	Tar Sands/ surface mining, solvent extraction upgrading	IN	1986	1988	20 years	5,000	ND	ND	ND
Arkansas Lignite Conversion	Arkansas Power & Light (Middle South Utilities, Inc., International Paper and Dow Chemicals	Lignite Gasification	IN	mid 1986	early 1990	30 years	11,400	ND	ND	ND

* LOI - Letter of Intent; OU - Oral understanding potentially leading to a Letter of Intent; IN - In Negotiations.
** ND - May be nondisclosable pursuant to Section 121 of the Energy Security Act.

QUESTION 22. Do the companies involved currently have the rights to use all processes which they anticipate using?

ANSWER It has been a requirement of each of the solicitations issued by the Corporation that a project demonstrate to the satisfaction of the SFC the ability to obtain the necessary licenses for the proposed technology. To satisfy this requirement one of the following situations would pertain:

a. The project sponsor developed and owns the key technology (e.g., Texaco, Union, Dow, etc.);

b. The project sponsor obtained the license to the technology for the engineering and operation of the project; and

c. The sponsor has not obtained the license; however, there are no obstacles to its being obtained.

If the sponsor owns or already has a license for the technology, the project has clearly satisfied the SFC requirements. If the project has not obtained the license, the SFC will review with the project when and from whom the sponsor will obtain the technology license. Then, the SFC contacts the licensor to ensure the project faces no obstacles to obtaining the license (other than satisfactory negotiation of a fee). Since licensors of technologies are in business to sell technologies, it has been our experience to date that licensors are willing to offer the technology on

(Answer "22" continued)

competitive commercial terms. In addition, the SFC requires that any technology in a project which has an assistance agreement with the SFC be made available under reasonable commercial terms to any other project.

QUESTION 23A What work hazards exist at each project and what has the Corporation done to make sure that they are removed?

ANSWER Many of the potential work hazards associated with synfuels technologies are already well recognized based on the similarities between unit operations in synfuels technologies and those used in comparable conventional technologies, such as electric power generation and petroleum refineries.[1/] The potential occupational hazards associated with the two major resource/technology areas for synthetic fuels are discussed below.

o Coal Gasification Projects

Many of the unit operations in a coal gasification facility have been employed in power plants, coke ovens, and petroleum

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1/"Safety Issues Related to Synthetic Fuels Facilities," U.S. Department of Energy, DOE/EV/10659-T1 NTIS.

(Answer "23a" continued)

refineries, and consequently work hazards for these operations are expected to be similar. There are also unit operations unique to coal gasification projects such as the gasifier itself and certain gas cleanup systems. For these processes, pilot plant and other research data have provided a basis to anticipate but not necessarily quantify the major health hazards associated with coal gasification. Known and anticipated major work hazards at coal gasification facilities include:[2/3/] worker exposure to benzene, silica, metals, phenols, aromatic amines, and polycyclic aromatic hydrocarbons (PAH).

o Shale Oil Projects

The mining technology used in oil shale recovery is similar to that of conventional mining; similarly, the processes used in shale oil upgrading (refining) are nearly identical to those used in conventional petroleum refineries. Consequently, many of the work hazards associated with oil

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2/"Synthetic Fossil Fuel Technology-Potential Health and Environmental Effects," Ann Arbor Science, 1980.

3/National Institute for Occupational Safety and Health. "Criteria for a Recommended Standard--Occupational Exposures in Coal Gasification Plants," U.S. Department of Health, Education and Welfare, 1978.

(Answer "23a" continued)

shale projects, as well as methods to control them, are already known. Work hazards (both known and presumed) include exposure to: silica, trace metals, benzene, phenols, and PAHs; toxic gases or aerosols from blasting or diesel engines; noise; and safety hazards associated with mining.

QUESTION 23b What environmental hazards exist with each project and what has the Corporation done to remove them or make sure that they are removed?

ANSWER The two tables included in the response to Question 20 indicate the pollutant streams associated with commercial synthetic fuel facilities which have the potential for environmental impact. The Corporation will be relying on existing federal, state, and local agencies to specify permissible limits for air emissions, wastewater effluents, and solid and hazardous wastes from the facilities it provides assistance to. Discharges of regulated pollutants within these pollutant streams can be largely controlled through the application of currently available pollution control technologies, and thus problems in compliance with permit conditions are not anticipated.

In addition to what is required under environmental permits, the Corporation, through its Environmental Monitoring Plan

(Answer "23b" continued)

Guidelines, is requiring the monitoring of unregulated substances of significant environmental or health concern which may be present in a project's air emissions, wastewater effluents, and solid or hazardous wastes.

Thus, in both the occupational and environmental areas, the hazards associated with the operations of synthetic fuels facilities will be controlled pursuant to existing environmental laws and regulations and additional data in areas of health and environmental concern will be collected pursuant to the monitoring requirements of the Corporation.

QUESTION 24. The Corporation's Annual Report indicates that the Corporation has undertaken an outreach effort and that it has made a "programmatic decision" to emphasize Western shale and coal. Was this effort made necessary by a paucity of proposals using these resources?

ANSWER The Corporation's Board of Directors is seeking projects which provide diversity of technology and resource and which demonstrate capability to fulfill the Corporation's production goals. Recognizing that any synthetic fuels program must include Western oil shale and coal-based projects as essential elements because of the vastness of these resources, the Board moved in July 1982 to make clear its intent to provide assistance to a broad and diverse set of shale and coal projects to maximize the long-run potential of these vast

(Answer "24" continued)

resources. The subsequent emphasis on solicitations directed first at Western oil shale projects followed by solicitations directed at coal-based projects was the result both of the recognition of the importance of shale and coal and of the need to attract a larger number of qualified projects.

QUESTION 25. "Does the Corporation have any projections concerning the future price of oil? Does it agree with the projections suggested by Secretary Hodel?"

ANSWER The fuel price projections used by the Corporation, both generally in its financial analysis of projects and for purposes of estimating outlays, are developed by the staff working with outside consultants. The projections, which take into account forecasts by a broad spectrum of government, economic and industry experts, are updated periodically to reflect changing market conditions and outlook. Price forecasts and the resulting Corporation analysis of project economics and expected outlays take into account not only the median outlook but also the high and low ranges of possible future price movements, which are synthesized in the Corporation's computer simulation of projects.

(Answer "25" continued)

The crude oil forecast used by the Department of Energy is presented in tabular form below in real terms using constant first quarter 1981 dollars per barrel. Like SFC, the DOE forecasts a range of possible prices. Generally speaking, the DOE median price projections published in its National Energy Policy Plan study of October 1983 (using the "mid-range" estimate as being comparable to SFC's median case) track SFC projections very closely through 2000, but thereafter are substantially higher. The high and low ranges of DOE's forecast are comparable to SFC's through the mid-1990s but thereafter are substantially higher.

Real Crude Price Projections ($1981 per barrel)

	1985	1990	2000	2010
High	29	38	75	104
Median	24	30	43	61
Low	20	24	34	52

QUESTION 26. Are any of the projects for which letters of intent have been signed research and development projects? Are any of the projects which are now being negotiated research and development projects? What criteria do you use to determine this status?

ANSWER 26 Under the Energy Security Act, the Corporation is authorized to provide financial assistance only for a facility for the commercial production of synthetic fuel or (by means of a joint venture) for a synthetic fuel project module. Accordingly, as is indicated at page 18 of our 1983 Annual Report, the Corporation lacks authority to fund research and development programs, initial pilot plants, or semiworks installations. Prior to making any award of financial assistance, the Corporation determines, inter alia, that the project for which financial assistance is to be awarded is for the commercial production of synthetic fuel. The Energy Security Act does not contain any provisions specifically defining "commercial" production for purposes of the Act. In making its determination, the Corporation considers all aspects of the project. It considers, among other things, the anticipated volume of product output from the facility, the anticipated operating life of the facility, the scale and anticipated durability of components utilized in the facility; the nature, extent, and conditions of the disposition of the synthetic fuel product produced by the facility; and the anticipated ability of the project to operate economically after the proposed financial assistance ceases.

Prior to entering into a financial assistance agreement with the Cool Water Project, the Corporation determined that the project is for the commercial production of synthetic fuel.

(Answer "26" continued)

Although no formal determination has been made, the staff of the Corporation believe that each of those other projects which have been given letters of intent is for the commercial production of synthetic fuel.

QUESTION 27. Does the Corporation have any doubts whether it should be proceeding to award financial assistance in light of falling oil prices? Will this factor influence the Corporation in its Comprehensive Strategy?

ANSWER Dramatic changes in the world energy market and fluctuating domestic economic conditions since 1980 have forced synfuels projects to develop more slowly than originally envisioned. During this entire time, the Corporation has worked against an energy market moving away from synthetic fuels. The Directors have considered on many occasions these altered conditions. The Board has always concluded that, despite the short-term outlook, it is clearly in the country's long-term national interest to move now to develop the ability to utilize the enormous domestic reserves of fossil energy. It is vital that the Corporation move expeditiously, though prudently, to develop a proven synfuels capability while the U.S. enjoys a temporary respite from petroleum price escalations.

(Answer "27" continued)

Beginning in 1986, declining oil production is forecast in this country and among all the other major, non-OPEC producers; and, if as predicted, the Nation's economy experiences substantial growth throughout this decade, petroleum demand is very likely to increase. Such an increase in demand can only be met by production from OPEC nations. This realistic scenario would return OPEC to a position of petroleum market dominance similar to that which it enjoyed during the 1970s. If we are unprepared we are likely to re-experience the energy supply chaos of the 1970s.

QUESTION 28. What are the advantages of delaying your report on a comprehensive strategy? What are the disadvantages, especially concerning Congress' need to reduce budget deficits?

ANSWERS At its February 16, 1984 meeting, the Board of Directors decided to sumbit the strategy by June 30, 1984 required in the ESA. The strategy will be supplemented with a report in 1985.

Completion of the SFC Phase I program will have little budget impact for the next 2-3 years because,

(Answer "28" continued)

- o Immediate SFC project assistance is in the form of loan and price guarantees. Phase I plants will not come on-line for several years.

- o Loan guarantees are activated only upon plant failure, and price guarantees only during commercial plant utilization. These are years away.

- o Thus, the budgetary impact due to implementation of Phase I of the SFC programs is minimal for the next two-three years.

QUESTION 29. How many synthetic fuel projects have actually completed negotiations for financial incentives?

ANSWER One. In July 1983, the Board of Directors executed an assistance contract in the amount of $120 million with the Cool Water Gasification program in Daggett, California. This project uses Western bituminous coal in a Texaco Gasifier/General Electric Combined Cycle facility to produce 4,300 BOED.

QUESTION 30. How many letters of intent have been signed or proposed by the SFC and for which projects?

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ANSWER 30 The Corporation has proposed or signed letters of intent with eight projects as of February 20, 1984.

1. The letter of intent with the Cool Water Coal Gasification Project has been superceded by an award of financial assistance.

2. The second letter of intent, with the Santa Rosa Project, has been withdrawn because the project failed to meet conditions required by the SFC at the time the letter of intent was signed.

3. The third, provided to the Calsyn Heavy Oil Upgrading Project, has been withdrawn following the termination of the project by its sponsors.

The remaining five letters of intent and their status are as follows:

1. HOP Kern River Commercial Development Project. The sponsors and the SFC have reached an oral understanding which may lead to a letter of intent.

2. First Colony Farms Project. The sponsors have been provided with a letter of intent but the main project sponsor has recently questioned the likelihood of future progress unless the Board reverses its decision not to renegotiate the terms of financial assistance.

(Answer "30" continued)

3. Union Oil Company Parachute Creek Shale Oil Program - Phase II. The sponsor has been provided with a letter of intent.

4. Cathedral Bluffs Oil Shale Project. The sponsors have been provided with a letter of intent.

5. Seep Ridge Project. The sponsors and the SFC have reached an oral understanding which may lead to a letter of intent.

QUESTION 31. The SFC has a number of applications pending and in various stages of analysis. Understanding that you are not able perhaps to tell us which of those projects may eventually be funded, would you give the Committee an idea of the total amount of obligations the Corporation may commit by by end of this year?

ANSWER 31 As the Basic Business Plan, which is attached, indicates, we estimate commitments in fiscal years 1984 and 1985 of about $11.0 billion to satisfy the resource and technology diversity objectives of the Energy Security Act. The roughly $4.0 billion which remains will be used for additional coal or shale projects and for reserve contingencies, as the Directors determine appropriate.

QUESTION 32. The Energy Security Act, which authorized the Synthetic Fuels Corporation, contemplated -- as a goal -- that by 1987 the U.S. would be capable of producing 500,000 barrels per day of synthetic fuels. In your judgement, how much synthetic fuel capacity will we have available by that time?

ANSWER Our Basic Business Plan calls for a minimum nameplate production capacity of 142,890 (BOED).

QUESTION 33. Is it not true, in fact, that the majority of proposals currently before the Corporation are much smaller in size than the 20,000 barrels of oil equivalent per day capacity originally envisioned?

ANSWER It is true that many of the coal and oil shale projects proposed under the Initial Solicitation have been subsequently reduced in size by sponsors in response to the changing economic and energy conditions. However, the sizes of tar sand and heavy oil projects have remained, for the most part, unchanged. The average size of the coal and oil shale projects which have either a contract or a term sheet or are currently

(Answer "33" continued)

under consideration by the Corporation is approximately 11,300 barrels of oil equivalent per stream day (stream day = 330 days per year). Tar sand and heavy oil projects average 4,300 BOESD.

The Energy Security Act authorizes the Corporation to provide assistance to projects only for the "commercial production" of synthetic fuels but does not establish a numerical definition for "commercial production." In formulating its original guidelines for potential proposers, the Corporation followed the Act and did not specify a size. Instead, the Corporation placed the burden of proof of the commercial nature of projects on sponsors. Sponsors must demonstrate that, based on the best estimates of the project's capital and operating costs and the future prices of its product, the project would be able to operate at a profit and show a satisfactory rate of return upon completion or within a relatively short time after financial assistance ceases.

While 20,000 BOED may have been used at one time within the government or been a commonly held industry definition for commercial scale, neither the statute nor the Corporation envisioned a 20,000 barrels of oil equivalent per day minimum for projects.

QUESTION 34. Your annual report noted that the "process development" stage, that is the stage between proof of concept or R&D and commercialization, is not supported by the DOE nor the SFC. Does the SFC have authority to fund projects in this "process development" stage?

ANSWER As noted in Response to Question No. 26, the Corporation is authorized to provide financial assistance only for a facility for the commercial production of synthetic fuel (or by means of a joint venture for a synthetic fuel project module).

In the Corporation's 1983 Annual Report (page 18) the Corporation stated that the Energy Security Act might usefully be amended to provide the Corporation with the authority to provide financial assistance for semiworks installations, i.e., "process development" projects, an authority not now provided in the Energy Security Act.

QUESTION 35. Is it not true that except for the large number of applications pending, we can point to very little demonstrated progress in the development of technologies to use coal?

ANSWER The statutory purpose of the Corporation's program is not to develop technologies but to bring those technologies that are the most mature into commercial utilization. However, technological benefits have been derived from our program as

(Answer "35" continued)

the result of coal tests and project specific design and engineering work that has been stimulated by projects applying to the Corporation.

QUESTION 36. Is it not also true, based upon your experience since the initial solicitation, that of all the applications for coal projects pending before the SFC today there is no assurance that, for reasons of cost, technology risk, etc., any of these projects will ever be built?

ANSWER The Corporation's basic coal program is set-forth in its Basic Business Plan. All of the projects estimated for funding in the basic coal program are likely to be completed, and two, Cool Water and Great Plains, will start up this year.

For projects which are soundly conceived and managed, loan guarantees provide assurance that the plant will be built and price guarantees provide assurance that the plant can continue to operate and meet its financial obligations even under adverse market conditions.

QUESTION 37. There are a number of technologies, including advanced coal preparation techniques, fluidized bed combustion boilers, even second generation scrubbers which appear to be ready for process development or commercialization. We have this huge

(Question "37" continued)

domestic resource; we have no assurance that the private marketplace, even with the possible assistance of the SFC, will plunge into the development of gaseous or liquid fuels derived from coal; indeed, experience indicates the marketplace is not ready to do so; does the SFC have authority to also assist in the development of technologies that burn coal directly?

ANSWER 37 The provisions of the Energy Security Act limit the extent to which the Corporation has authority to provide financial assistance for projects utilizing coal as a feedstock. In particular, the definition of "synthetic fuel" contained in Section 112(17) requires that "synthetic fuel" be produced by chemical or physical transformation (other than washing, coking, or desulfurizing) of domestic sources of coal (among other feedstocks).

Because of this requirement, the Corporation lacks authority to provide financial assistance for projects that would burn coal directly without transformation of the coal. It should be noted, however, that the Corporation has authority to provide assistance to projects to produce coal-water fuels that can substitute for petroleum or natural gas in boilers, and on January 5, 1984, issued a solicitation for such projects.

QUESTION 38 Isn't it true that coal constitutes 75 percent of our domestic energy resources?

ANSWER Measured in recoverable reserves, (i.e., resources that can be produced with available technologies at currently competitive prices) coal constitutes over 75 percent of the total U.S. fossil fuel reserve.

QUESTION 39. A purpose of the Synthetic Fuels Corporation was to assist in the commercialization of technologies to convert our domestic coal into more usable forms of energy. Haven't world economic conditions over the last three years made it difficult to commercialize technologies that transform coal into gases and into liquids that can be used in our transportation sector?

ANSWER World economic conditions, and the reductions in oil consumption and price certainty have presented obstacles to the development of the domestic synthetic fuels industry. The Synthetic Fuels Corporation was, however, established to share risks with private enterprise so as to accelerate development of the industry and its basic technology. Since coal is far and away the Nation's largest fossil energy resource, it is a crucial feedstock for synthetic fuels. The technological transformation of coal into liquid and gaseous fuels will provide the nation with invaluable flexibility in its fuel mix so that energy shortfalls and the eventual phase-out of a petroleum-based economy may be dealt with effectively.

QUESTION 40. I am convinced that there is a vast market in this Nation for coal that can be burned more cleanly to comply with the Clean Air Act. Does the SFC have the authority to fund the commercialization of technologies that allow our domestic coal to be burned more cleanly without being transformed into gases or liquids?

ANSWER 40 As noted in the answer to question 37, The Energy Security Act limits the extent to which the Corporation has authority to provide financial assistance for projects utilizing coal as a feedstock. A "synthetic fuel" may be a solid, liquid, or gas, or combination thereof, which can be used as a substitute for petroleum or natural gas (or any derivatives) and which is produced by chemical or physical transformation (other than washing, coking, or desulfurizing) of domestic sources of coal (among other feedstocks).

While the Corporation has the authority to assist a coal-based project producing a solid fuel from coal, the Act requires both that the product be usable as a substitute for petroleum or natural gas and also that the coal be chemically or physically transformed (other than by washing, coking, or desulfurizing).

(Answer "40" continued)

Because of this requirement, the Corporation lacks authority to provide financial assistance for projects that would burn coal directly without transformation of the coal. It should be noted, however, that the Corporation has authority to provide assistance to projects to produce coal-water fuels that can substitute for petroleum or natural gas in boilers, and on January 5, 1984, issued a solicitation for such projects.

QUESTION 41. Are there in existence today technologies for coal cleaning coal combustion, and post-combustion clean-up that, if commercialized, will allow more domestic coal to be burned within the requirements of the Clean Air Act?*

*The most promising near term technologies for cleaner coal use are: advanced coal washing, fluidized bed combusion, LIMB (lime injection, multi-stage combustion), and advanced scrubbers. In the longer term, combined cycle gasification systems are among the more promising emerging technologies.

ANSWER There are today technically viable processes for physical and chemical coal cleaning, advanced combustion and post-combustion flue gas treatment which could allow more domestic coal to be burned within the requirements of the Clean Air Act as the Act presently stands.

QUESTION 42. When these technologies become commercially available to our country's utilities and industries, won't we then be well on the road toward reducing our level of emissions from coal burning?

ANSWER Yes, however it remains to be seen if coal conversion to low or medium Btu gas, followed by a gas turbine integrated with a combined cycle for electric power generation, may not be more economic for new capacity because of the substantially higher cycle efficiency potential. The technologies in question would appear to be applicable to the existing stock of coal-burning facilities.

QUESTION 43. Doesn't it make sense, then, for the nation to pursue the commercialization of these technologies at the earliest possible date?

ANSWER As noted above, the most economical technologies for new coal burning facilities may prove to be coal gasification followed by a gas turbine/steam turbine with a combined cycle. The technologies in question would appear to be more applicable to the existing stock of coal burning facilities.

Pursuit by the nation of the commercialization of these technologies is, except for DOE activities and government installations, in the hands of the private sector.

(Answer "43" continued)

Forms of coal cleaning, fluid bed combustion and post-combustion cleanup are already used commercially. Therefore, some of the technical uncertainty has been removed. Perhaps, incentives for private commercialization initiatives could be most effective.

QUESTION 44. Mr. Noble, there seems to be a great deal of confusion surrounding the SFC's plans for awarding assistance to projects. Let's review:

o In testimony before the Senate Energy and Natural Resources Committee in 1982, you expressed the hope of granting up to $4.5 billion in awards in 1982. None were made.

o Before several committees in 1983, you outlined plans to assist approximately 6 projects in FY '83 at a cost of $7.2 billion. In fact, you wrote to Senator McClure and stated that "Overall, the Corporation believes this to be a wholly possible outcome." Yet, only one award of $120 million was made in FY '83, and no awards have been made one-third of the way through FY '84.

o In December, several papers and trade journals cited several Board members as predicting that the SFC would make $10 billion in awards in 1984, and then close up shop. Recently you denied these reports.

(Question "44" continued)

Given all of these varying projections, what is the SFC's real strategy and plans for awards. How much do you expect to commit in 1984?

Is this the same justification you gave last year to explain the lack of awards at that time? Are the projections you are now making any more credible than previous ones? Also, if you can only give out $120 million in three years who can you expect to responsibly give out $10 billion or more in less than a year?

ANSWER 44 Over the past three years the Directors have been unable to meet the various award schedules because the projects before the Corporation developed more slowly than had been expected, and the SFC could not responsibly fund projects which were not fully mature. Past projections of programmatic commitments were made without the financial and technical experience of the award process. The SFC's intent to commit roughly $11 billion in 1984 is outlined in the Basic Business Plan, which is attached. The Plan has been formulated on the basis of solicitations issued and projects currently in negotiations.

QUESTION 45. "Mr. Noble, it is my understanding that in 1981 the Great Plains Gasification Project originally received a special rate ruling from the Federal Energy Regulatory Commission which allows it to employ a formula for its gas which today yields about $6 to $6.25 per MCF. Is this correct?"

ANSWER Today the FERC formula would yield a price of approximately $5.90 per MCF.

QUESTION 45(a)

Isn't it also true that since April, the sponsors of the project have been claiming that they need price supports in addition to this pricing formula, or they will be forced to abandon the project?

ANSWER 45(a) Yes. The Department of Energy asked the SFC in June of 1983 to examine the financial viability of the Great Plains project and provide an opinion on the narrow question of the likelihood that, based solely on investment considerations, the sponsors would abandon the project absent additional assistance. No attempt was made to explore broader issues. The greatest perceived risk at the time of DOE's request, based on projection of lower energy prices, was that sponsors would abandon the project during construction or soon after operation began.

QUESTION 45(b)

Now, isn't it also true that when the project sponsors applied to the SFC for price guarantees, your financial section produced a memo which determined that the project sponsors still hadn't made the case that they needed additional assistance?

ANSWER No, the memo to which you refer did not address the issue of additional assistance. It was restricted to the issue of the likelihood of abandonment.

Specifically, on September 13, 1983 the Corporation received an unsolicited application from the project's sponsors for price support assistance under the Energy Security Act.

Based on information received from the project, its sponsors, and the DOE over several months, in October, 1983 our financial staff concluded that, while there was a credible risk of abandonment, the case for concluding that the sponsors' most likely course of action would be to terminate in the near term was not proven. While the analysis indicated greater incentives for near-term abandonment by two minority sponsors, these owners together do not have sufficient votes to cause a project termination under the terms of the DOE agreement.

(Answer #45(b) continued)

In testimony on October 18, 1983 before the Environment, Energy and Natural Resources Subcommittee of the House Government Operations Committee, the Corporation's Vice President of Finance, Edward S. Miller, indicated that the analysis of the narrow question of near-term abandonment was not conclusive. He summarized the findings of the financial analysis, the effect of the projected continuing losses on sponsor book income, and various capital market considerations stressed by the sponsors. The analysis did not examine the effect that a withdrawal of the two sponsors would have on the willingness of the remaining sponsors to continue in the project. With respect to longer-term prospects, Mr. Miller did note that the indicated abandonment risk of a third sponsor increases to nearly 50% in the late 1980s, based on that sponsor's pessimistic price views. At that time, the sponsors would be required to choose between a one-time tax penalty upon abandonment of $675 million and funding cumulative cash losses of $440 million to $1.3 billion for 7 to 13 years.

QUESTION 45(c)

But isn't it also true that within a month of having submitted this observation to Congressman Synar and having told Great Plains to first seek legislative relief from Congress, the Board decided to design a special solicitation for Great

(Question "45(c)" continued)

Plains? What was the reason for the change? Also, isn't it true that Great Plains is requesting a price support of almost $7.75 per Mcf for its gas?

ANSWER After reviewing the preliminary staff conclusions and being briefed by project representatives, the Board, on October 22, 1983, stated its view that any required federal assistance to the Great Plains project beyond the DOE loan guarantee could most effectively be provided through clarification, if necessary, of Section 44D of the Internal Revenue Code to make the project eligible for production tax credits and through clarification of the manner of accounting for DOE funds obligated in the Energy Security Reserve, so that obligational authority already dedicated to the DOE's loan guarantees could be utilized by the DOE as the loans are repaid to provide price guarantees. In addition, the Board directed the staff to continue to analyze the impact of different assistance packages on the project's economics. Mr. Miller did not revise his conclusions contained in testimony before Congress on October 18. The Board made no decision at its October 22 meeting with regard to the merits of providing any Corporation assistance to the project.

(Answer "45(c)" continued)

On November 21, 1983 we were notified by the DOE that the sponsors had initiated procedures under the DOE agreement which might lead to termination of their participation in the project. These actions by the sponsors were consistent with their representations to us regarding the need for expedited discussions with the Corporation and the risk of abandonment if there were no prospect for additional federal financial assistance.

In the period between the October and December Board meetings the staff performed the additional analysis requested by the Board and also, as requested, prepared a draft solicitation for Board consideration at the December meeting. The Board has not yet determined whether SFC assistance is required for the Great Plains project. There has, however, been a recognition that the Corporation may be the only available source of additional federal assistance and that further evaluation of the sponsors' request for assistance and its ultimate determination would most appropriately be conducted through the solicitation process.

The issuance of a solicitation does not mean the Board has determined that price guarantees are required or will be provided to the project. The solicitation merely establishes a

(Answer "45(c)" continued)

procedural framework within which a formal application for assistance may be received and evaluated and a determination ultimately reached on the need for Corporation assistance.

Finally, it is correct that the sponsors of the Great Plains project are requesting a price support of almost $7.75 per Mcf for its gas.

QUESTION 46. Mr. Noble, how do I explain such a government handout to my constituents and the natural gas producers who have to cap wells because they can't get $3.50 to $4 for their gas?

ANSWER The SFC program is authorized by a Congressional statute which provides for sharing the risk with private industry to speed up the development of commercial application of synthetic fuels technologies. The end results are not measured in the current cost of production of such fuels but in terms of knowledge regarding technology and environmental management. The amounts of production are not of such magnitude as as to affect the market place.

QUESTION 47. Mr. Noble, it is also my understanding that Tenneco, a 30% partner in the Great Plains project, is also a 50% partner in the Cathedral Bluffs Oil Shale project, which recently received a letter of intent offering up to $2.19 billion in price supports. My question is this - how can the SFC be sure that Tenneco is really committed to the Cathedral Bluffs project when it is threatening to abandon the Great Plains project?

ANSWER The commitment of a sponsor to any capital investment project is a function of the sponsor's strategic interests, but depends very much on the judgment that the project can remain viable in the long-term under a wide range of circumstances. The long-term viability of a synthetic fuel project depends on the inherent economics of the plant (e.g., technical performance, production costs) and, in today's markets, on any necessary financial assistance to be received by the project. Properly structured financial assistance increases the likelihood that the project will generate sufficient cash to repay debt and yield enough return to induce the sponsor to continue the project through its economic life.

Consequently, any comparison of Tenneco's commitment to the Cathedral Bluffs project with its commitment to the Great Plains project has to be viewed not only in light of each project's inherent economics but also in light of the very different form of financial assistance provided in each case.

(Answer "47" continued)

The Great Plains project was provided a loan guarantee in 1981 after negotiations with DOE under the Non-Nuclear Act, an Act that did not provide for price guarantees. There was recognition and concern (shared by SFC at the time) that the project was subject to downside price risk. This concern was clearly addressed in the financial assistance contract that includes specific abandonment rights, some of which are triggered by the prospect of lower project revenues stemming from lower than expected market prices. It is pursuant to these rights that the owners of the Great Plains project (including Tenneco) have given notice to DOE of their intent to seriously consider abandonment.

The Cathedral Bluffs project has negotiated with the Corporation a combination of loan guarantee and price guarantee assistance that, in the opinion of the SFC and the project sponsors, should provide broad project viablity under a wide range of price uncertainty and production performance. The price guarantee contemplated will provide the level of cash flow necessary to repay the debt and still provide enough return to the project sponsors to provide resonable assurances that they complete and operate the project. In exchange for this downside price protection, SFC has negotiated provisions under which project sponsors' returns are limited on the upside

(Answer "47" continued)

through appropriate profit-sharing provisions to enhance tax-payer recovery.

SFC's approach has always been to focus on price guarantees as a major means of assuring the viability of the projects it assists, thereby strengthening the commitment of the project sponsors.

QUESTION 48. Is this (the Union term sheet and the Cool Water Contract) a sign that nothing else is ready? If so, do we need to spend $15 billion on two technologies?

Does the Union award imply that the SFC has nothing else to fund but improvements in technologies which have already been subsidized? When is the private sector supposed to get in the act and take over the synfuels industry? Also, how do you further the diversity goal of the SFC by concentrating on the same technologies?

ANSWER The fact that a contract has been signed with Cool Water and a term sheet has been agreed to with Union is more of a statement on the overall readiness of these particular projects than solely on the readiness of the technologies they employ. For example, it can be said that technology development is a "pacing factor" in reaching agreement with fewer than one-third of the twenty-two projects currently before the Corporation,

(Answer "48" continued)

representing twenty-one synthetic fuel process technologies. It has been the Corporation's experience that the speed at which an agreement is reached on a term sheet or contract turns most often on the level or configuration of the project's equity, not the status of its technologies.

The following is a listing of the process technologies proposed for use in projects currently before the Corporation. In addition, responses to the Coal-Water solicitation will add to this list as might submissions in response to the retrofit and fourth general solicitations. Beside each technology is an indication of the number of projects proposing to use it.

Process Technology	Number of Projects
Texaco gasifier	3
KBW gasifier	1
Dow gasifier	2
U-Gas gasifier	1
British Gas/Lurgi slagging gasifier	1
Kloeckner molten iron gasifier	1
Lurgi gasifier	1

(Answer "48" continued)

Union Unishale "B" Retort	2
Union Unishale "C" Retort	1
Oxy modified in situ process	1
Dravo traveling grate retort	1
Paraho retort	1
Geokinetics' "LOFRECO" in situ process	1
Union upgrading process	2
Gulf upgrading process	1
UOP upgrading	1
"HOP" (heavy oil recovery) Process	1
Conoco's "FAST" process	1
Oxygen fireflood	1
Dravo solvent extraction	1
J.P. Energy Oy wet carbonization process	1

Only four of the technologies, Texaco gasifier, Lurgi gasifier, Union "B" Unishale retort and Union upgrading, are used by projects which presently have financial assistance contracts

(Answer "48" continued)

with the government. Negotiations are under way with projects that use nine additional technologies. These facts are evidence of the existence of multiple technologies and are indicative of the Corporation's efforts to meet its diversity requirements.

The impression that the Corporation is "concentrating" on a limited number of technologies is understandable if one considers only the Cool Water contract and the Union term sheet. To accurately judge the Corporation's commitment to achieving its diversity goal, one must view the totality of activities in which the Corporation is engaged and the full array of technologies under consideration.

From the Corporation's view, the potential exists to assist in the construction and operation of a diverse group of projects which will provide the data base and experience for companies to determine realistically the risks and rewards of investing in the synthetic fuels industry, and will allow the industry to develop efficiently as the market forces or national security dictates.

QUESTION 49. Mr. Noble, the SFC initially issued three general solicitations, under which any type of project could apply for assistance. Last year you testified that the SFC was moving away from those types of solicitations and planned to issue solicitations targeted to specific technologies and feedstocks, saying "In talking to project sponsors and examining the results of the ongoing general solicitations, the Board determined that targeted solicitations would be the more efficient means of completing this desired project slate. Targeted solicitations provide sponsors greater specificity as to the Corporation's requirements and available level of assistance and greater flexibility in their project development schedules."

Response to the targeted solicitations has been slim at best.

A Western oil shale solicitation drew only 4 qualified bids, three of those did not even respond to the next submission deadline, and the fourth respondent was disqualified.

Only one project responded to the Gulf Coast lignite solicitaton, and it also did not satisfactorily respond to requirements for additional technical information.

The bituminous coal solicitation drew only three qualified bidders.

Now the Board has decided to issue another general solicitation.

(Question "49" continued)

Why the sudden reversal to another general solicitation after telling Congress that the targeted solicitations would be more effective in drawing qualified projects? Is this a sign that there may not be anything really new or better out there?

ANSWER With the issuance of the third general solicitation in August 1982, the Corporation's Board of Directors announced its intention to pursue methods, other than a general solicitation, to attract proposals from qualified sponsors. In particular, the Board wished to target specific resources and provide an efficient means for selecting a project for award of assistance.

A solicitation employing a competitive bid structure and targeted at a specific resource was initially selected as best meeting the Board's requirements. Under this type of solicitation a project would be required to demonstrate its capability to finance, design, construct and commercially operate the synthetic fuel production facility. A project meeting minimum solicitation qualification requirements would then submit a technical proposal and a separate competitive bid for one of the designated forms of financial assistance. The technical proposal would provide any necessary amplifications or clarifications of the sponsor's qualifications. The competitive bid, essentially corresponding to the total amount of financial assistance requested, would be used to determine

(Answer "49" continued)

the winning project. The low bid winner would be selected for negotiations intended to lead to award of an assistance contract. In the event such a procedure failed, it could also form part of the basis for proceeding to direct negotiations as provided under Sections 131(b)(4) of the Energy Security Act. --

The experience with these solicitations shows modest success. Although no award was made under the shale solicitation, three of four projects that were designated as qualified under the terms of the solicitation also had proposals under active consideration in the third solicitation. Two have subsequently been issued letters of intent.

The Gulf lignite solicitation drew a single response. The Corporation reviewed this response and invited the sponsors to submit a technical proposal and competitive bid. The Board's review of the technical proposal found that the project did not fully meet the requirements of the solicitation, which was then terminated. The Board subsequently was able to make the necessary statutory determinations to enter into direct negotiations with the project sponsors. As provided under Section 131(b)(4), the termination of the solicitation formed part of the basis for making the required determinations.

(Answer "49" continued)

The competitive solicitation for Eastern/Midwestern bituminious coal projects drew five qualification proposals. Three projects were ultimately designated as qualified bidders and invited to submit technical proposals and competitive bids. One has submitted a technical proposal. Two have since indicated their preference for submitting proposals under the retrofit or fourth general solicitation.

Three additional targeted solicitations have been issued: one for coal-water fuel projects, one for coal or lignite gasification projects and one for projects proposing to retrofit existing plants.

These solicitations differed from the competitive bid format of the shale, Gulf lignite and Eastern/Midwestern bituminous coal solicitations in that they require submission of a single qualification proposal rather than both a qualification and a technical proposal. The solicitations do not include the competitive bid feature, but rather base selection of a project for award on several factors determined during negotiations. The feature of targeting the solicitations for specific types of projects producing specific synthetic fuels products from specific resources is retained. The modified structure of

(Answer "49" continued)

these targeted solicitations represents an evolutionary process in which the experience gained by the Corporation in earlier targeted solicitations is used to improve the current solicitation process.

Following the third general solicitation the only exception to use of a targeted solicitation concept is the fourth general solicitation, which was given final approval by the Board on Februrary 16, 1984. This solicitation was prepared to accommodate several requests for a solicitation under which previously rejected projects could be reconsidered for financial assistance. Because of the wide diversity of resources and projects that are in this category, the Board determined that a targeted solicitation would be inappropriate in this instance.

QUESTION 50. Mr. Noble, according to the Energy Security Act, the SFC must submit a Comprehensive Strategy to Congress on June 30, 1984. I know that in past testimony you have always cited this as a primary responsibility of the SFC. Yet, the SFC's 1983 Annual Report contains only a half page discussion of this strategy, and implies that the SFC may request a delay in the submission date. Is this true?

(Question "50" continued)

June 30 is 5 months away. Given all the attention the SFC has already devoted to this document, shouldn't you already have some idea of whether or not you are going to meet the deadline? Furthermore, what would be the advantage of such a delay? How many more projects would you expect to be on line in March 1985 than will be on line in June 1984?

ANSWER Section 126 of the ESA requires the Comprehensive Strategy be submitted by June 30, 1984. Additionally, Section 126(D)(1) provides that, "If at the expiration of such time as the Corporation is permitted for submission of its Comprehensive Strategy to the Congress, the Corporation determines that an adequate basis of knowledge has not yet been developed upon which to formulate and implement a Comprehensive Strategy for the achievement of the national synthetic fuel production goal established in Section 125, the Corporation shall report the reasons for such determination to the Congress, and may request, in a Corporation synthetic fuel action pursuant to Section 128, such additional time up to one year as the Corporation considers necessary for the formulation of its proposed Comprehensive Strategy."

(Answer "50" continued)

In order to maximize the amount of knowledge that could be included in the Strategy, the Corporation received guidance from the Senate Appropriations Committee suggesting that the SFC seek a one year delay. However, the Corporation has also received guidance from various members of the House of Representatives suggesting that the SFC submit the Strategy on time. At its February 16, 1984 meeting, the Board considered various opinions of both the House and the Senate, as well as the development status of the Strategy, and determined to submit the Strategy to Congress by June 30, 1984, and to supplement the original during 1985. The latter submission would include information and experience gained in completing the first phase financial awards.

QUESTION 51. In May 1983, the SFC's Vice-President for Planning resigned. A new one was hired in July. Now he has resigned, too, and indications are that a replacement will not be hired. Doesn't this disrupt efforts to put together a comprehensive strategy document, especially if you need a delay in order to gather more information?

ANSWER Dr. Cross came out of retirement to take the Policy Development (Planning) position. In his letter of resignation to Mr. Noble, Dr. Cross states that when he leaves, he will have

(Answer "51" continued)

completed the basic work for which he was hired, and wishes to go back to his retirement. Indeed, with firming of the Phase I program and delineation of the options which the Board wants to examine, the structure of the Strategy is determined and necessary materials can be formulated expeditiously.

Further, Election of a President, a Group Vice President - Corporate and a Vice President for External Relations has relieved the Group Vice President - Operations sufficiently so that he can devote enough time to the Comprehensive Strategy to make an additional officer seem unnecessary at this time.

QUESTION 52. How much do you intend to spend on consultant fees in preparing the Comprehensive Strategy?

ANSWER As of now, we have eight individuals and nine firms who have agreed to assist us in the preparation of the Comprehensive Strategy. Five of the individuals are industry/technical experts serving without fee (expenses only). The other three individuals are not being used at this time but may be needed for rewrite and data support this spring. There is a total of $36,400 available in the three individual contracts plus several thousand available for expenses for all individuals. We currently intend to use $10,000 to $20,000 of these funds between now and the June 1984 submission date.

(Answer "52" continued)

We have budgeted just over $600,000 for Comprehensive Strategy contract support and analysis from nine identified firms during FY84. Task orders are active now with three of the firms, and we anticipate spending about $100,000 on all three combined by June 1984. We do not anticipate at this time placing any new task orders.

The FY84 and FY85 budgets were drawn up to include a possible delay in submission of the Comprehensive Strategy to provide for outside analysis and verification of data and findings and to supplement the Policy Development staff with short-term expertise, especially in highly specialized areas.We are not certain if any of these contingent services will be needed after June 1984. We are sure, however, that actual spending will be far less than budgeted. In this connection, the Corporation's actual spending for the first quarter of FY84 for all consultants, generic studies, and specific reviews was about 11 percent of the annual administrative expense budget, or less than 2 percent of the annual allowance of $10 million provided in the ESA for generic studies and specific reviews.

QUESTION 53. Mr. Noble, the Energy Security Act, (ESA) established production goals of 500,000 barrels per day by 1987 and 2 million barrels per day by 1992. A recent Congressional Research Service study concluded that achieving a production total of 30,000 to 50,000 barrels per day by 1987 would be "a major technological and economic achievement." Do you agree with such an estimate?

Let's not talk about production capability but rather talk about production. For the $15 billion it can commit -- and may have to pay out -- the American taxpayer can expect a production total of 70,000 barrels per day, is that correct?

ANSWER As referenced in the answer to question 32, our Basic Business Plan calls for a minimum nameplate capacity of 142,890 (BOED).

QUESTION 54. Now, when the SFC appeared before the House Interior Appropriations Subcommittee last year, former Executive Vice-President Jimmie Bowden testified that the cost of achieving the 1992 production goal of 2 million barrels per day would exceed $150 billion -- almost the equivalent of our current national deficit.

Would you still agree with that cost projection?

ANSWER 54 The answer is yes; but to leave the answer at that would be misleading. First, domestic natural petroleum is also expensive. Virtually all exploration and new production in the U.S. now involves frontier fields like the Arctic or deep coastal waters. Development costs in such areas are running $20,000 per anticipated barrel with an assumed production life of ten years. It would take the equivalent of three such developments (at $60,000 per anticipated 30-year barrel) to match the 30-year productive life cycle of a typical synthetic fuels plant. Thus, while the initial capital costs of synthetic fuel plants are high ($60,000 to $130,000 per 30-year BOED), so are the costs of finding new domestic oil.

Secondly, the costs of developing new natural oil are rising more rapidly than costs of synthetic fuels, in part because the technical risk of new oil exploration (dry holes) is far higher than that facing a synthetic fuels plant.

Thirdly, synthetic fuels plants are domestic industries whose output can directly offset foreign oil imports. While the selling price of imported oil is currently low, the actual cost (the price plus the "import premium") is higher, and both price and full cost are extremely erratic.

The Corporation recognizes that the present cost of achieving on-line production of 2,000,000 BOED of synthetic fuels by 1992 is prohibitive, and has therefore established a program whose

(Answer "54" continued)

pace and diversity should substantially reduce those development costs. Nevertheless, we recognize that the cost of alternative natural petroleum is also very high, less predictable, and is rising more rapidly than the cost of synthetic fuels.

QUESTION 55. Will the SFC send Congress the Comprehensive Strategy on schedule at the end of June, or will you seek to defer its submission?

ANSWER At its February 16, 1984 meeting, the Board of Directors announced its intention to submit the Corporation's Comprehensive Strategy to Congress by June 30, 1984, as envisioned by the Energy Security Act, and to supplement the original Strategy submission during 1985 to reflect information and experience gained in completing the first phase financing awards.

QUESTION 56. Are you and the SFC Board convinced that the U.S. should have a synfuels program? Should it be run by the SFC or some other way?

ANSWER The SFC remains convinced of the importance to the Nation of a synthetic fuels industry. For the last three years, the SFC has moved prudently towards the ultimate goal of a market competitive domestic synfuels industry; it, therefore, feels that the Corporation is the proper body to administer this

QUESTION 57. Are you and the SFC Board convinced that the projects you will have underway at the end of the first phase of SFC's program will achieve the statutory goal of technology and resource base?

ANSWER We firmly believe that the Corporation will be able to inplement a program which provides a diversity of technological experience for all the major synthetic fuels resources. As illustrated in the Corporation's Basic Business Plan, which is attached, the SFC will be able to achieve a broad technology/resource mix by the end of the first phase, through the commitment of roughly $4.94 billion to oil shale projects, $4.95 billion to coal conversion projects, and $.95 billion to tar sands projects. The remaining $4 billion of the SFC's $14.75 billion authority could be used to supplement this diverse array of projects by committing assistance to additional coal or shale projects.

QUESTION 58. What are you doing about all the vacant senior management positions at the SFC? Will they be filled, abolished, or what?

ANSWER At the February 16, 1984 meeting, the Board unanimously elected Victor M. Thompson, Jr. to the position of President with overall responsibility for day-to-day management and operations. The Board also elected Robert W. Gambino as Group Vice President-Corporate responsible for the overall management of the finance, external relations and administrative operations of the Corporation. Charles D. Hartman was elected

(Answer "58" continued)

by the Board to serve as Vice President-External Relations with responsibility for liaision with Congress, the media, state and local government and the synthetic fuels industry.

In addition, the Board amended the Corporation's System of Organization to include a Vice President-Contract Management and Contract Management Group. The position of Senior Vice President-Finance was abolished by the Board.

Other than the positions of Vice President-Policy Development and Vice President--Contract Management, all of our senior staff vacancies have been filled.

QUESTION 59. There are widespread rumors that the President intends to prevent SFC from functioning by not filling vacancies on the Board. Mr. Masson's term expired last August and he cannot serve past this August. Mr. Monks has resigned. Mr. Carter's term expires in August. At that time one resignation would leave the Board with only 3 members and it would be unable to act. Would you care to comment?

ANSWER 59 While the Board may operate with a quorum of four members, the SFC has no reason to doubt that the White House will promptly and judiciously address the vacancies. We have been in close communication with the Office of Personnel at the White House in order to expedite the selection of nominees.

QUESTION 60. Are you concerned about conflict of interest or, at the very least, the appearance of a conflict of interest created by Mr. Wilkins and Mr. Masson actively engaged in fundraising and campaign work for President Reagan?

ANSWER Although Corporation personnel (including members of the Board of Directors) are free to engage in political activity as a private matter, and while it is the policy of the Corporation not to interfere in the private lives of its Directors and employees, the Corporation's Policy on Standards of Conduct makes it clear that in view of the public trust confided to the Corporation under the Energy Security Act, and the need to avoid any action that might adversely affect public confidence in the Corporation's operations, special care must be taken by Directors and employees to avoid any actions that might be at odds with the ethics standards established by the Policy, which are patterned on those applicable to federal officers and employees under Executive Order 11222. More specifically, Section 8 of the Corporation's policy relating to gifts, gratuities, entertainment, and favors prohibits the solicitation or acceptance of anything of monetary value (including services) for one's self or on behalf of another

(Answer "60" continued)

from any "Participating Organization." A "Participating Organization" is any entity listed on a list of such organizations published from time to time under Section 6(b)(5) of the Policy. The list contains the name of each firm, corporation, or other entity which has undertaken or formally proposes to undertake a synthetic fuels project involving the Corporation. It also includes the names of other entities participating in any material way in such projects, such as financial institutions, investment bankers, construction companies, etc. Section 7(a) of the Policy also calls upon all Directors and employees to remain alert to and comply with a number of statutory prohibitions relating to political activity including 18 U.S.C. 600 which makes it a federal offense for anyone to promise a benefit made possible by an Act of Congress, or any special consideration in obtaining such benefit, as consideration for any political activity.

Mr. Wilkins and Mr. Masson, who recently resigned from their positions with the Corporation, were highly effective members of the Board of Directors. Both of them were devoted to the success of the Corporation's program. Both Mr. Wilkins and Mr. Masson have advised the Ethics Officer that none of their outside political fundraising or other political activity had anything to do with any Participating Organization, and the Corporation is not aware of anything related to that activity which is in any way at odds with the Corporation's policy.

TABLE 1 (Question 20)

	HEAVY OILS TAR SANDS	SHALE	COAL
Air	Boiler Flue Gas Incinerated well gases Fugitive solvent emissions	Boiler flue gas Sulfur tail gas Shale dust from crushers Fugitive Hydro-carbon emissions	Boiler flue gas Sulfur tail gas Coal dust from crushers Fugitive hydro-carbon emissions
Water	Oily Water Boiler feed water regenerant	Process Wastewaters Non-Process Wastewater Mine water	Process Wastewaters Non-Process Wastewater
Solid Waste	Spent sand Boiler ash/slag	Spent shale Spent catalyst Boiler ash/slag	Process ash/slag Spent catalyst(s) Boiler ash/slag

TABLE 2 (Question 20)

COAL TECHNOLOGIES

Category	Gasification	Hydro liquefaction	Coal Carbonization	Coal-liquid slurry	Peat Carbonizati
Air	Boiler flue gas Crusher coal dust Sulfur tail gas	Boiler flue gas Crusher coal dust Sulfur tail gas Fugitive hydro-carbon emissions	Boiler flue gas Crushers coal dust Sulfur tail gas Fugitive hydrocarbon emissions	Crusher coal dust	Boiler flue gas
Water	Process Wastewaters Non-Process Waste water	Process Wastewaters Non-Process Waste waters	Process Wastewaters Non-Process Waste waters		Process Waste Wa Non-Process Wast water
Solid Waste	Process ash/slag Boiler ash/slag Spent catalyst	Tarry ash Boiler ash/slag Spent catalysts	Tarry ash Boiler ash/slag		Boiler ash

Basic Business Plan

	Estimated Obligational Authority ($ Billions)	Resource	Technology	Nameplate Production Capacity (BOED)	Ultimate Site Production Expansion Potential* (Minimum)	Product	Status
Basic Oil Shale Program:							
Union I	$ ---	Colo. Shale-Mahogany zone .	Union B	10,400	---	Upgraded shale oil	Has a $0.4 billion price guarantee transferred to the Corporation from the DOE
Union II	2.7	Colo. Shale-Mahogany zone	Union C	42,152	90,000	Upgraded shale oil	Letter of intent executed
Cathedral Bluffs	2.19	Colo. Shale-deep deposits	Modified in-situ and Union B	14,100	100,000	Upgraded shale oil	Letter of intent executed
Seep Ridge	0.05	Utah shale-shallow deposits	True in-situ	1,000	8,000	Raw shale oil	Letter of intent authorized
	$ 4.94			67,652	198,000		
Basic Coal Program:							
Cool Water	$ 0.1	Western bituminous coal	Texaco	4,300	8,600	medium-BTU gas	Under contract
Eastern or Midwestern Coal Solic.	(est) 1.9	Eastern or Midwestern bituminous coal	Slagging Lurgi, Kloeckner molten iron, or Texaco	10,000 min.	10,000 min.	medium-BTU gas	Under solicitation
Great Plains (under negotiation--whether, and if so, how much, Corporation assistance is needed has not been determined)	--	North Dakota lignite	Lurgi	21,000	84,000	high-BTU gas	In negotiation (has a $2.02 billion loan guarantee contract with the DOE)

* The estimates of ultimate site expansion potential are based on current Corporation staff opinion on the land, water and resource availability for each project and the assumption that appropriate mitigation of environmental limitations, if any, is possible. The estimates should in no way be considered as reflective of the sponsors' current planning for site development.

2/6/84

Basic Business Plan -- Continued

	Estimated Obligational Authority ($ Billions)	Resource	Technology	Nameplate Production Capacity (BOCD)	Ultimate Site Production Expansion Potential* (Minimum)	Product	Status
Retrofit projects (two projects)	(est) 0.6	unknown	unknown	6,000 min.	6,000 min.	unknown	Under solicitation
Coal-Water Mixture projects (one industrial and one utility project)	(est) 0.15	unknown	unknown	4,000 min.	4,000 min.	coal-water mixtures	Under solicitation
One or two of the following projects:	(est) 2.2			(est) 16,000	(est) 17,800		
a. Dow Syngas		Western Subbituminous	Dow	(5,172)	(5,172)	medium-BTU gas	In negotiation
b. Arkansas Power and Light		Gulf Coast lignite	Dow	(11,400)	(11,400)	" "	In negotiation
c. Memphis		Midwestern bituminous	U-Gas	(8,621)	(8,621)	" "	In negotiation
d. North Alabama		Midwestern bituminous	GKT or Texaco	(7,341)	(14,700)	methanol	In negotiation
e. additional project from the retrofit, bituminous coal or fourth general solicitation		unknown	unknown	unknown	unknown	unknown	Under solicitation
f. post project		post	unknown	unknown	unknown	unknown	In negotiation or under solicitation
	$ 4.35			(est) 61,300 min.	(est) 130,400 min.		
Basic Tar Sands/Heavy Oil Program:							
One Western Tar Sands Project	(est) 0.4	Western tar sands	unknown	5,000 min.	5,000 min.	bitumen	In negotiation or under solicitation
One Eastern Tar Sands Project	(est) 0.4	Eastern tar sands	unknown	5,000 min.	5,000 min.	bitumen	In negotiation or under solicitation
A few smaller, technologically diverse projects (including HopKern)	0.15	Heavy oils/Tar sands	steamflood and other	3,930 min.	30,000 min.	heavy oils/ bitumen	Letter of intent authorized for Hop Kern; others in negotiation or under solicitation
	$ 0.95			13,930 min.	40,000 min.		
Basic Program:	$10.84			142,890 min.	368,400 min.		
Additional coal and shale projects, amounts for Great Plains, and reserve for contingencies:	$ 3.93			unknown	unknown		
Total Program:	$14.77			142,890 min.	368,400 min.		

TESTIMONY BEFORE SENATE FINANCE SUBCOMMITTEE ON
ENERGY AND AGRICULTURAL TAXATION

by Edward S. Miller,
Vice President for Finance
United States Synthetic Fuels Corporation
June 17, 1983

The Synthetic Fuels Corporation is pleased to offer its views on bill S. 1396 to extend and enhance the energy investment tax credit (ETC). My comments will be limited to those sections relevant to projects the SFC is authorized to support, namely investment in plants to produce synthetic fuels from solid resources--coal, oil shale and tar sands. As it is unlikely under current economic conditions that the private sector will build synfuels plants without assistance, our calculations may be taken to represent the entire industry.

A few years ago Congress provided two kinds of government incentives for synthetic fuels. First came the ETC, in 1978, and the production tax credit as part of the Windfall Profit Tax Act of April 1980. The second incentive was direct loan and price support assistance to projects, to be provided by the SFC, which was authorized by the Energy Security Act on June 30, 1980.

It is clear that Congress intended to offer the fledgling synfuels industry the dual incentives. The two forms work together quite well. The ETC (along with the regular investment tax credit) helps the synfuel sponsor by providing an up-front cash flow that encourages capital formation. In contrast, SFC's assistance is for a longer term--our price guarantees underwrite up to 10 years of operations while our loan guarantees may extend for 15 to 25 years. The operative assumption is that after the price support period, the project will be competitive over the rest of its life of roughly 30 years.

While Congress correctly perceived the need of a combination of stimuli, it did not accurately gauge the difficulties that would be encountered in mobilizing capital for the new industry. The fundamental problem has been the weak economic environment prevailing since about 1980, and in particular the likelihood in the '80s of stable to declining energy prices. Two years ago the median of published forecasts for crude oil was $60 per barrel in 1990 and $80 for 2000, both adjusted to constant 1983 dollars. Such projections are now at about $35 and $52 respectively. These lowered projections, and the weak cash flows of many companies, are causing corporate sponsors to reassess their plans, and some have withdrawn their projects. The development of synfuels was further discouraged by TEFRA in 1982, which reduced capital formation benefits such as expensing of interest during construction and reduction of depreciable basis by 50% of ITC and ETC taken.

The ETC improves the return to an investor in a synfuels plant by increasing his leverage. The SFC can guarantee loans for up to 75% of the cost of a project but the remaining 25% must be provided as private sector equity capital. This 25% is a large amount; in a $2 billion project, the equity need is $500 million. (About $2.9 billion of private sector equity has been committed to projects now before us.) The ETC, by providing an immediate cash benefit to sponsors, greatly assists in capital formation and makes the funding of projects more viable.

Although the SFC is authorized to make awards through 1992 and the production tax credit will be available through the end of the century, Congress put a fairly short time fuse on the ETC. It is true that expenditures through 1990 may qualify for the credit, but only when a sponsor completed by the end of 1982 his engineering studies and permitting requirements. In addition, the synfuel sponsor must have contracts for half of his specially designed equipment by the end of 1985.

These two "affirmative commitment" dates are proving to be unrealistic. Because of the energy market downturn, not many sponsors were willing to spend the large sums needed to advance synfuels projects on a fast track. Relatively few have been able to organize their syndicates and get their permits. Of the 15 coal and oil shale projects now pending before the SFC, we estimate that only about 6 met last year's deadline and are "grandfathered" for the ETC. As we expect new projects to subscribe to future SFC solicitations, the grandfathered projects will probably account for about 40% of our total assistance awards. The proposed bill would solve the problem for the other 60% by extending the first affirmative commitment date by 4-1/2 years and providing additional time and flexibility for the second date.

The bill enhances the effectiveness of the ETC in two important ways. First, it includes tar sands outlays as eligible expenditures. Although the U.S. tar sands resource is smaller than either coal or oil shale, we are finding that tar sands projects are more numerous and can be in operation more quickly than other types, and at a lower cost-per-barrel of assistance. These will help SFC achieve its production goals.

The bill also allows investors in coal and shale projects the full ETC on so-called off-stream facilities, like oxygen plants, which are now excluded from qualified expenditures. We calculate that for synfuel projects, the ETC today is the equivalent of about a 6% investment tax credit because of the exclusions. Allowing the credit on off-stream items would raise the ETC to a more effective 9% to 10%. The incremental tax benefit to sponsors would be about 50¢ per barrel over the life of the project.

We are sometimes asked if the limitation of the ETC is causing the cancellation of any projects. The answer is "no," not directly, but in a broader sense limiting these credits does hinder private sector development of synfuels. In negotiations we bargain toward price supports set to yield a rate of return that appears to be appropriate to the risk involved. If the project isn't eligible for the ETC, it necessarily requires a greater amount of support.

We have calculated the tradeoff between the ETC and the amount of aid the SFC must give in its absence. We estimate the multiplier at about 3.7 to 1; that is, it takes almost $4 of additional SFC aid to compensate for $1 of lost ETC. Let me explain. A dollar of ETC is a net bottom-line benefit to the sponsor realized in the first years of a project. In contrast, a dollar of loan guaranteed by SFC has to be repaid in the future, with interest, and thus has a lower net present value. As for price supports, they will be paid over a period of future years and will be taxed as ordinary income, so their net present value is also low. Assuming that at the margin our additional assistance is a combination of both forms, we calculated the 3.7 to 1 ratio. The proposed bill, which might create an additional $1.1 billion of ETCs for synfuels, is the equivalent of adding $4 billion to SFC's present obligational authority of about $15 billion. This would permit us to increase the number of large projects financed from say 10 to 13. As there are about 20 important synfuels technologies, excluding tar sands, the bill would permit us to broaden the portfolio of technologies that will be built at commercial scale.

Let me comment on revenue loss and gain from the bill, as we see it. The initial revenue loss, over the next 5 or 6 years, assuming SFC is successful in its mission, may be about $1.1 billion. It is possible that some or all of this may be "recouped" by the Treasury in the late eighties and early nineties as an offset to the production tax credit. This will happen if oil prices remain low in real terms. More importantly, assuming the bill permits us to finance three additional plants and that such plants are like those now before us, the Treasury may expect to collect about $13 billion in income taxes over their lives. These figures are based on our long range price forecasts. There will be additional large revenues generated by taxes on wages, suppliers' profits, and so forth. As synfuel plants will back out imported energy rather than domestic production, these may be considered net gains to the Treasury.

In closing, it has become clear that the nation needs to employ its entire arsenal of incentives if we are to launch a synthetic fuels industry in this decade. As envisioned by Congress several years ago, the tax code and the SFC were to provide a balanced set of incentives. S.1396 will restore the balance and allow synthetic fuels development to go forward in a responsible, market-oriented manner in the synfuels program.

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APPENDIX VII

Responses From Mr. Crowell to Additional Committee Questions

Answers to Questions

Relating to the

February 9, 1984 Hearing

On the Department of Agriculture, Forest Service

Committee on Energy and Natural Resources
February 28, 1984

ADDITIONAL COMMITTEE QUESTIONS
(Submitted by Majority)

1. LEGISLATION

a. Question: Would you provide for the record a list of legislative initiatives accompanying the proposed fiscal year 1985 budget? Would you include a statement of purpose, proposed language (if available at this time but, if not, an indication of when it will be available); and an explanation of the language?

Answer: Recreation Fee Legislation: The 1985 Forest Service budget includes a proposed increase of $25 million in revenues from recreation user fees. To accomplish this increase, the Department of Agriculture is considering such measures as authorizing the Secretary of Agriculture to charge admission fees for certain congressionally designated units of the National Forest System and providing authority to charge recreation use fees wherever special outdoor recreation sites, facilities or services are provided in the National Forest System.

The proposal would return all revenues collected to the Forest Service for use in providing outdoor recreation, thus allowing recovery of a larger share of the government cost of providing facilities and services.

Payments to States Legislation: The 1985 Forest Service budget also includes a revision in the way the Department of Agriculture will share National Forest System receipts with the States.

Laws dating back to 1908 require 25 percent of revenues collected by the Forest Service from timber sales, grazing, recreation and other land uses on the National Forest System to be paid to States for distribution to counties in which the land is located. The funds are used for public schools and roads.

A major difficulty with basing county revenues on national forest receipts is the large fluctuation in the market for wood products. Such fluctuations in county revenues create significant difficulties for county planning and budgeting.

Payments under the present system are based on gross rather than net receipts to the federal government. This is illogical.

The budget proposes that the present procedure be reviewed with a view toward making the present system more rational or basing payment on an equivalent to what would have been paid as property taxes if the National Forest System lands were in private ownership. A carefully developed proposal could make distribution of receipts more equitable than it is under the present system.

We are developing proposed legislation for both the Recreation Fee and Payments to States initiatives and will forward them as soon as we complete additional review.

b. Question: Would you also indicate whether it is your intention to submit legislation and whether, in your judgement, such legislation would be forwarded to the authorizing committee or to the Appropriations Committee?

Answer: All legislation proposed by the Administration is transmitted to the President of the Senate.

RECISSIONS/DEFERRALS/SUPPLEMENTALS

2. Question: Would you provide for the record a list of any fiscal year 1984 supplemental or deferral request by appropriations accounts?

Answer: The following supplementals are being requested for fiscal year 1984.

Appropriation	Amount
National Forest System	$ 34,301,000

These funds would be used to finance the costs of fighting forest fires incurred in fiscal year 1983.

Appropriation	Amount
Forest Research	$ 848,000
State and Private Forestry	174,000
National Forest System	9,769,000
Construction 1/	(2,025,000)
Land Acquisition	23,000
Total	12,839,000

1/ Transfer of unobligated balances from Timber Purchaser Road Construction.

For increased pay costs for fiscal year 1984, to be derived by transfer from Timber Purchaser Road Construction.

3. Question: Would you provide for the record a list of any current or anticipated fiscal years 1984 and 1985 recissions or deferrals pursuant to the Budget and Impoundment Control Act assumed by the proposed budget for fiscal year 1985; copies of the revelant budget justifications; and the status of such proposed actions?

   Answer: There are no recissions or deferrals acticipated in fiscal years 1984 or 1985.

QUESTIONS SUBMITTED BY SENATOR JAMES A. MCCLURE

TRANSACTION EVIDENCE ANALYSIS

Mr Crowell, I want to ask you a few questions regarding the transaction evidence analysis (TEA) bidding system and the Forest Service's future plans for this system. As you know, this issue has generated a lot of concern in the timber industry, especially in the West.

In the development of the FY 83 and FY 84 appropriation bills, the House and Senate reviewed the Forest Service appraisal and sales programs in some detail.

The Forest Service now has a TEA test underway in Region 1. I would like to point out that this test was not approved by any Committee prior to its inception nor is it a test that I would have suggested.

4. Question: Can you tell me what assumptions have been built into your FY 85 timber sales program concerning the use of TEA?

   Answer: The FY 1985 timber sale program includes continuance of the in-place TEA process in Regions 8 and 9. Testing of TEA will also continue in Region 1.

5. Question: Does your 1985 budget proposal anticipate the use of TEA in more than a few sales in Region 1? Are any savings projected?

   Answer: Sale offerings using the TEA process will remain on a sample basis on National Forests in Region 1, with testing and evaluation to continue throughout FY 1985. During this period no savings will accrue.

6. Question: Have there been any sales offered so far in the test under the TEA system? What have the results been?

   Answer: To date Region 1 offered and sold eight timber sales using the TEA process. The small number of sales offered and sold limits meaningful conclusions at this time. As soon as significant results are available we will provide them to the Committee.

Back in 1973, the Joint Appraisal Study Group reviewed the Forest Service's appraisal system and concluded that the transaction evidence system was acceptable when timber and products in an area were relatively homogeneous. Otherwise, the group reported, "it appears that the Forest Service must continue to use the residual value approach. There are no great opportunities to simplify appraisals, particularly for old growth timber, the bulk of the volume offered in the West."

7. Question: What has changed since 1975 that would provide the basis for this testing in Region 1?

   Answer: Since 1975 the transaction evidence appraisal method (TEA) has been tested and successfully used in both the National Forest Eastern and Southern Regions. In recent years in the Western Regions the high bid values for National Forest timber sales have substantially exceeded the advertised values developed through the residual value approval method (RVA). Many timber sales were appraised with negative values under the RVA method, but when advertised, received significantly high positive bid values. Also, the cost and amount of a shrinking workforce required to appraise timber sales with the RVA method have risen sufficiently to make examination and testing on alternative appraisal methods desirable. In-depth study and comparative testing on past sales have shown that alternative appraisal methods are appropriate for further testing in Region 1.

QUESTIONS SUBMITTED BY SENATOR MARK O. HATFIELD

PAYMENTS TO STATES LEGISLATION

The FY 1985 budget request for the Forest Service recommends enactment of legislation to change existing Forest Service receipt revenue sharing programs with states to a "tax equivalency" sharing basis.

8. Question: Would you please provide to me a breakdown of timber and other receipts that were shared with Oregon counties for each of the last five fiscal years? Also, I would like to have your projection of future receipts that Oregon counties would receive if Congress were to enact your proposed legislation.

Answer:

Twenty - Five Percent Payment to the State of Oregon

Fiscal Year 1/	Moneys Received From National Forests	Receipts from National Grasslands 2/ 3/	Oregon Total
1979	121,081,427.06	9,856.43	121,091,283.49
1980	98,888,365.36	8,284.30	98,896,649.66
1981	95,112,708.07	10,671.55	95,123,379.62
1982	46,851,494.99	10,536.66	46,862,031.65
1983	69,212,544.63	8,679.33	69,221,223.96

1/ Indicates the year payment was made.
2/ Payment is made on a calendar year basis.
3/ This entire payment was made to Jefferson County.

The distribution of the payment by county is shown in the following tables.

We are not able to project future receipts from the proposed legislation at this time. The scope and content of the proposal have not been agreed upon. We will make such a projection and forward it to the Committee as soon as it is feasible to make estimates.

PAYMENT TO STATE - 25% OF NATIONAL FOREST RECEIPTS
COUNTY ALLOCATIONS BASED ON NF ACREAGE
SEPT 30, 1979

STATE OF OREGON

Fiscal Year 1979

NATIONAL FOREST UNIT	COUNTY	NET NF ACREAGE	AMOUNT PAID ACT OF 5/23/08
KLAMATH N.F. *	JACKSON	24,859	75,044.83
	UNIT TOTALS	24,859	$ 75,044.83
DESCHUTES N.F.	DESCHUTES	979.394	4,407,929.57
	JEFFERSON	160,403	721,921.04
	KLAMATH	290,347	1,306,756.14
	LAKE	172,665	777,108.26
	UNIT TOTALS	1,602,809	$ 7,213,715.01
FREMONT N.F.	KLAMATH	340,944	1,635,735.40
	LAKE	855,407	4,103,956.99
	UNIT TOTALS	1,196,351	$ 5,739,692.39
MT. HOOD N.F.	CLACKAMAS	510,216	5,371,154.16
	HOOD RIVER	212,934	2,241,602.27
	JEFFERSON	4,576	48,172.54
	MARION	68,699	723,209.23
	MULTNOMAH	72,391	762,075.71
	WASCO	208,868	2,198,798.61
	UNIT TOTALS	1,077,684	$11,345,012.52
MALHEUR N.F.	BAKER	45,786	192,000.17
	GRANT	1,117,794	4,687,385.63
	HARNEY	293,876	1,232,347.05
	MALHEUR	599	2,511.87
	UNIT TOTALS	1,458,055	$ 6,114,244.72
OCHOCO N.F.	CROOK	433,820	2,373,585.29
	GRANT	59,140	323,576.22
	HARNEY	223,234	1,221,393.52
	WHEELER	127,450	697,324.81
	UNIT TOTALS	843,644	$ 4,615,879.84
ROGUE RIVER N.F. *	DOUGLAS	65,399	895,051.09
	JACKSON	371,007	5,077,803.94
	JOSEPHINE	15,000	205,290.09
	KLAMATH	71,868	983,585.87

STATE OF OREGON

NATIONAL FOREST UNIT	COUNTY	NET NF ACREAGE	AMOUNT PAID ACT OF 5/23/08
	UNIT TOTALS	523,274	$ 7,161,530.99
SISKIYOU N.F. •	COOS	47,073	528,967.96
	CURRY	558,733	6,278,585.57
	JOSEPHINE	281,240	3,160,345.66
	UNIT TOTALS	887,046	$ 9,967,899.19
SIUSLAW N.F.	BENTON	16,296	388,240.64
	COOS	10,423	248,320.58
	DOUGLAS	60,731	1,446,873.01
	LANE	242,261	5,771,696.54
	LINCOLN	170,089	4,052,249.82
	POLK	318	7,576.12
	TILLAMOOK	92,321	2,199,482.36
	YAMHILL	25,440	606,089.97
	UNIT TOTALS	617,879	$14,720,529.04
UMATILLA N.F. •	BAKER	1	2.12
	GRANT	305,358	649,555.74
	MORROW	144,070	306,464.86
	UMATILLA	375,868	799,544.20
	UNION	99,465	211,581.36
	WALLOWA	123,510	262,729.75
	WHEELER	39,433	83,861.65
	UNIT TOTALS	1,087,705	$ 2,313,759.68
UMPQUA N.F.	DOUGLAS	735,784	11,778,358.49
	JACKSON	7,464	119,482.98
	LANE	107,104	1,714,510.39
	UNIT TOTALS	850,352	$13,612,351.86
WALLOWA N.F.	UNION	8,130	7,546.40
	WALLOWA	977,096	906,956.82
	UNIT TOTALS	985,226	$ 914,503.22
WHITMAN N.F.	BAKER	602,410	1,706,416.42
	GRANT	82,650	234,118.49
	MALHEUR	3,193	9,044.65
	UMATILLA	26,023	73,714.04
	UNION	509,095	1,442,087.73
	WALLOWA	41,580	117,781.57

STATE OF OREGON

NATIONAL FOREST UNIT	COUNTY	NET NF ACREAGE	AMOUNT PAID ACT OF 5/23/08
	UNIT TOTALS	1,264,951	$ 3,583,162.90
WILLAMETTE N.F.	CLACKAMAS	856	14,637.04
	DOUGLAS	50,327	860,539.20
	JEFFERSON	632	10,806.79
	LANE	971,000	16,603,472.87
	LINN	465,975	7,967,871.55
	MARION	135,095	2,310,037.25
	UNIT TOTALS	1,623,885	$27,767,384.70
WINEMA N.F.	KLAMATH	1,026,231	5,936,716.17
	UNIT TOTALS	1,026,231	$ 5,936,716.17
	STATE TOTALS	15,089,951	~~$12,188,142.70~~ 121,081,427.06

TOTAL ALLOCATION FOR COUNTIES
WITH ACREAGE IN MORE THAN ONE FOREST

BAKER	$1,898,418.71
CLACKAMAS	$5,385,791.20
COOS	$777,288.54
DOUGLAS	$14,980,841.79
GRANT	$5,894,636.08
HARNEY	$2,453,740.57
JACKSON	$5,272,131.75
JEFFERSON	$780,900.37
JOSEPHINE	$3,365,635.75
KLAMATH	$9,862,793.58
LAKE	$4,881,065.25
LANE	$24,089,679.80
MALHEUR	$11,556.52
MARION	$3,033,246.48
UMATILLA	$873,258.24
UNION	$1,661,215.49
WALLOWA	$1,287,468.14
WHEELER	$781,208.48

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1980
OCT 1,1979 THRU SEP 30,1980
COUNTY SUMMARY

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
BAKER		MALHEUR	45,786	111,691.76		111,691.76	2.44
		UMATILLA	1	1.59		1.59	1.59
		WHITMAN	602,653	942,965.42		942,965.42	1.56
		COUNTY TOTAL:	648,440*	1,054,658.77*		1,054,658.77*	1.63*
BENTON		SIUSLAW	16,296	320,328.86		320,328.86	19.66
		COUNTY TOTAL:	16,296*	320,328.86*		320,328.86*	19.66*
CLACKAMAS		MT. HOOD	510,216	7,038,274.57		7,038,274.57	13.79
		WILLAMETTE	856	13,484.67		13,484.67	15.75
		COUNTY TOTAL:	511,072*	7,051,759.24*		7,051,759.24*	13.80*
COOS		SISKIYOU	47,073	325,227.09		325,227.09	6.91
		SIUSLAW	10,448	205,375.30		205,375.30	19.66
		COUNTY TOTAL:	57,521*	530,602.39*		530,602.39*	9.22*
CROOK		OCHOCO	433,820	1,686,274.56		1,686,274.56	3.89
		COUNTY TOTAL:	433,820*	1,686,274.56*		1,686,274.56*	3.89*
CURRY		SISKIYOU	558,766	3,860,511.12		3,860,511.12	6.91
		COUNTY TOTAL:	558,766*	3,860,511.12*		3,860,511.12*	6.91*
DESCHUTES		DESCHUTES	979,237	3,081,603.06		3,081,603.06	3.15
		COUNTY TOTAL:	979,237*	3,081,603.06*		3,081,603.06*	3.15*
DOUGLAS		ROGUE RIVER	65,399	578,603.08		578,603.08	8.85
		SIUSLAW	60,130	1,181,969.45		1,181,969.45	19.66
		UMPQUA	735,784	7,797,367.76		7,797,367.76	10.60
		WILLAMETTE	50,327	792,807.18		792,807.18	15.75
		COUNTY TOTAL:	911,640*	10,350,747.47*		10,350,747.47*	11.35*
GRANT		MALHEUR	1,119,190	2,730,186.24		2,730,186.24	2.44
		OCHOCO	59,140	229,879.39		229,879.39	3.89
		UMATILLA	305,756	485,143.53		485,143.53	1.59
		WHITMAN	82,650	129,321.67		129,321.67	1.56
		COUNTY TOTAL:	1,566,736*	3,574,530.83*		3,574,530.83*	2.28*

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1980
OCT 1,1979 THRU SEP 30,1980
•--------COUNTY SUMMARY--------•

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
HARNEY		MALHEUR	293,876	716,890.08		716,890.08	2.44
		OCHOCO	223,234	867,718.90		867,718.90	3.89
		COUNTY TOTAL:	517,110•	1,584,608.98•		1,584,608.98•	3.06•
HOOD RIVER		MT. HOOD	213,477	2,944,850.30		2,944,850.30	13.79
		COUNTY TOTAL:	213,477•	2,944,850.30•		2,944,850.30•	13.79•
JACKSON		KLAMATH	24,859	70,715.51		70,715.51	2.84
		ROGUE RIVER	371,009	3,282,419.46		3,282,419.46	8.85
		UMPQUA	7,464	79,098.69		79,098.69	10.60
		COUNTY TOTAL:	403,332•	3,432,233.66•		3,432,233.66•	8.51•
JEFFERSON		DESCHUTES	160,403	504,779.10		504,779.10	3.15
		MT. HOOD	4,576	63,124.53		63,124.53	13.79
		WILLAMETTE	632	9,955.97		9,955.97	15.75
		COUNTY TOTAL:	165,611•	577,859.60•		577,859.60•	3.49•
JOSEPHINE		ROGUE RIVER	15,000	132,709.16		132,709.16	8.85
		SISKIYOU	281,240	1,943,085.55		1,943,085.55	6.91
		COUNTY TOTAL:	296,240•	2,075,794.71•		2,075,794.71•	7.01•
KLAMATH		DESCHUTES	290,347	913,705.47		913,705.47	3.15
		FREMONT	340,944	1,116,592.48		1,116,592.48	3.28
		ROGUE RIVER	71,868	635,836.12		635,836.12	8.85
		WINEMA	1,026,231	5,132,960.03		5,132,960.03	5.00
		COUNTY TOTAL:	1,729,390•	7,799,094.10•		7,799,094.10•	4.51•
LAKE		DESCHUTES	172,665	543,366.93		543,366.93	3.15
		FREMONT	857,364	2,807,869.31		2,807,869.31	3.28
		COUNTY TOTAL:	1,030,029•	3,351,236.24•		3,351,236.24•	3.25•
LANE		SIUSLAW	242,530	4,767,388.19		4,767,388.19	19.66
		UMPQUA	107,104	1,135,019.63		1,135,019.63	10.60
		WILLAMETTE	971,000	15,296,277.80		15,296,277.80	15.75
		COUNTY TOTAL:	1,320,634•	21,198,685.62•		21,198,685.62•	16.05•
LINCOLN		SIUSLAW	170,565	3,352,779.32		3,352,779.32	19.66

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1980
OCT 1,1979 THRU SEP 30,1980
-------COUNTY SUMMARY-------

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		COUNTY TOTAL:	170,565	3,352,779.32		3,352,779.32	19.66
LINN		WILLAMETTE	465,975	7,340,559.27		7,340,559.27	15.75
		COUNTY TOTAL:	465,975	7,340,559.27		7,340,559.27	15.75
MALHEUR		MALHEUR	599	1,461.22		1,461.22	2.44
		WHITMAN	3,193	4,996.06		4,996.06	1.56
		COUNTY TOTAL:	3,792	6,457.28		6,457.28	1.70
MARION		MT. HOOD	68,699	947,681.82		947,681.82	13.79
		WILLAMETTE	135,095	2,128,167.50		2,128,167.50	15.75
		COUNTY TOTAL:	203,794	3,075,849.32		3,075,849.32	15.09
MORROW		UMATILLA	143,170	227,168.07		227,168.07	1.59
		COUNTY TOTAL:	143,170	227,168.07		227,168.07	1.59
MULTNOMAH		MT. HOOD	72,391	998,611.83		998,611.83	13.79
		COUNTY TOTAL:	72,391	998,611.83		998,611.83	13.79
POLK		SIUSLAW	318	6,250.90		6,250.90	19.66
		COUNTY TOTAL:	318	6,250.90		6,250.90	19.66
TILLAMOOK		SIUSLAW	92,321	1,814,744.76		1,814,744.76	19.66
		COUNTY TOTAL:	92,321	1,814,744.76		1,814,744.76	19.66
UMATILLA		UMATILLA	375,908	596,453.82		596,453.82	1.59
		WHITMAN	26,023	40,717.94		40,717.94	1.56
		COUNTY TOTAL:	401,931	637,171.76		637,171.76	1.59
UNION		UMATILLA	99,465	157,821.27		157,821.27	1.59
		WALLOWA	8,130	14,819.68		14,819.68	1.82
		WHITMAN	509,108	796,596.45		796,596.45	1.56
		COUNTY TOTAL:	616,703	969,237.40		969,237.40	1.57
WALLOWA		UMATILLA	123,510	195,973.51		195,973.51	1.59

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1980
OCT 1,1979 THRU SEP 30,1980
COUNTY SUMMARY

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		WALLOWA	978,149	1,783,007.36		1,783,007.36	1.82
		WHITMAN	41,125	64,347.91		64,347.91	1.56
		COUNTY TOTAL:	1,142,784•	2,043,328.78•		2,043,328.78•	1.79•
WASCO		MT. HOOD	208,868	2,881,270.56		2,881,270.56	13.79
		COUNTY TOTAL:	208,868•	2,881,270.56•		2,881,270.56•	13.79•
WHEELER		OCHOCO	127,450	495,402.91		495,402.91	3.89
		UMATILLA	40,387	64,082.12		64,082.12	1.59
		COUNTY TOTAL:	167,837•	559,485.03•		559,485.03•	3.33•
YAMHILL		SIUSLAW	25,440	500,071.57		500,071.57	19.66
		COUNTY TOTAL:	25,440•	500,071.57•		500,071.57•	19.66•
		STATE TOTAL:	15,075,240••	98,882,365.36••		98,888,365.36••	6.56••

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1981
OCT 1,1980 THRU SEP 30,1981
COUNTY SUMMARY

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-81 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
BAKER		MALHEUR	45,786	56,831.90		56,831.90	1.24
		UMATILLA	1	1.97		1.97	1.97
		WHITMAN	602,595	1,458,636.83		1,458,636.83	2.42
		COUNTY TOTAL:	648,382*	1,515,470.70*		1,515,470.70*	2.34*
BENTON		SIUSLAW	16,296	355,822.61		355,822.61	21.83
		COUNTY TOTAL:	16,296*	355,822.61*		355,822.61*	21.83*
CLACKAMAS		MT. HOOD	510,216	5,577,521.92		5,577,521.92	10.93
		WILLAMETTE	856	11,508.95		11,508.95	13.45
		COUNTY TOTAL:	511,072*	5,589,030.87*		5,589,030.87*	10.94*
COOS		SISKIYOU	47,073	256,588.60		256,588.60	5.45
		SIUSLAW	10,448	228,131.73		228,131.73	21.83
		COUNTY TOTAL:	57,521*	484,720.33*		484,720.33*	8.43*
CROOK		OCHOCO	433,820	2,409,837.58		2,409,837.58	5.55
		COUNTY TOTAL:	433,820*	2,409,837.58*		2,409,837.58*	5.55*
CURRY		SISKIYOU	558,766	3,045,758.32		3,045,758.32	5.45
		COUNTY TOTAL:	558,766*	3,045,758.32*		3,045,758.32*	5.45*
DESCHUTES		DESCHUTES	979,178	4,644,890.78		4,644,890.78	4.74
		COUNTY TOTAL:	979,178*	4,644,890.78*		4,644,890.78*	4.74*
DOUGLAS		ROGUE RIVER	65,399	760,228.57		760,228.57	11.62
		SIUSLAW	62,427	1,363,091.47		1,363,091.47	21.83
		UMPQUA	735,784	6,903,463.42		6,903,463.42	9.38
		WILLAMETTE	50,327	676,647.56		676,647.56	13.45
		COUNTY TOTAL:	913,937*	9,703,431.02*		9,703,431.02*	10.62*
GRANT		MALHEUR	1,119,161	1,389,159.17		1,389,159.17	1.24
		OCHOCO	59,169	328,679.36		328,679.36	5.55
		UMATILLA	305,756	602,089.98		602,089.98	1.97
		WHITMAN	82,650	200,061.96		200,061.96	2.42
		COUNTY TOTAL:	1,566,736*	2,519,990.47*		2,519,990.47*	1.61*

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1981
OCT 1,1980 THRU SEP 30,1981
•--------COUNTY SUMMARY--------•

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-81 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
HARNEY		MALHEUR	293,876	364,773.73		364,773.73	1.24
		OCHOCO	223,237	1,240,064.80		1,240,064.80	5.55
		COUNTY TOTAL:	517,113•	1,604,838.53•		1,604,838.53•	3.10•
HOOD RIVER		MT. HOOD	212,960	2,328,012.19		2,328,012.19	10.93
		COUNTY TOTAL:	212,960•	2,328,012.19•		2,328,012.19•	10.93•
JACKSON		KLAMATH	24,859	63,995.31		63,995.31	2.57
		ROGUE RIVER	371,008	4,312,770.54		4,312,770.54	11.62
		UMPQUA	7,464	70,030.68		70,030.68	9.38
		COUNTY TOTAL:	403,331•	4,446,796.53•		4,446,796.53•	11.03•
JEFFERSON		DESCHUTES	160,375	760,765.01		760,765.01	4.74
		MT. HOOD	4,576	50,023.40		50,023.40	10.93
		WILLAMETTE	632	8,497.26		8,497.26	13.45
		COUNTY TOTAL:	165,583•	819,285.67•		819,285.67•	4.95•
JOSEPHINE		ROGUE RIVER	15,000	174,367.02		174,367.02	11.62
		SISKIYOU	281,240	1,533,001.41		1,533,001.41	5.45
		COUNTY TOTAL:	296,240•	1,707,368.43•		1,707,368.43•	5.76•
KLAMATH		DESCHUTES	290,462	1,377,853.94		1,377,853.94	4.74
		FREMONT	340,944	1,619,463.19		1,619,463.19	4.75
		ROGUE RIVER	71,868	835,427.25		835,427.25	11.62
		WINEMA	1,024,407	2,743,210.77		2,743,210.77	2.68
		COUNTY TOTAL:	1,727,681•	6,575,955.15•		6,575,955.15•	3.81•
LAKE		DESCHUTES	172,665	819,064.63		819,064.63	4.74
		FREMONT	857,364	4,072,426.65		4,072,426.65	4.75
		COUNTY TOTAL:	1,030,029•	4,891,491.28•		4,891,491.28•	4.75•
LANE		SIUSLAW	242,590	5,296,944.56		5,296,944.56	21.83
		UMPQUA	107,103	1,004,889.53		1,004,889.53	9.38
		WILLAMETTE	971,395	13,060,425.86		13,060,425.86	13.45
		COUNTY TOTAL:	1,321,088•	19,362,259.95•		19,362,259.95•	14.66•
LINCOLN		SIUSLAW	170,791	3,729,215.78		3,729,215.78	21.83

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1981
OCT 1,1980 THRU SEP 30,1981
-------COUNTY SUMMARY-------

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-81 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		COUNTY TOTAL:	170,791	3,729,215.78		3,729,215.78	21.83
LINN		WILLAMETTE	465,897	6,263,994.80		5,263,994.80	13.45
		COUNTY TOTAL:	465,897	6,263,994.80		5,263,994.80	13.45
MALHEUR		MALHEUR	599	743.51		743.51	1.24
		WHITMAN	3,193	7,728.95		7,728.95	2.42
		COUNTY TOTAL:	3,792	8,472.46		8,472.46	2.23
MARION		MT. HOOD	68,699	750,996.01		750,996.01	10.93
		WILLAMETTE	135,004	1,815,131.57		1,815,131.57	13.45
		COUNTY TOTAL:	203,703	2,566,127.58		2,566,127.58	12.60
MORROW		UMATILLA	143,170	281,928.15		281,928.15	1.97
		COUNTY TOTAL:	143,170	281,928.15		281,928.15	1.97
MULTNOMAH		MT. HOOD	72,401	791,465.12		791,465.12	10.93
		COUNTY TOTAL:	72,401	791,465.12		791,465.12	10.93
POLK		SIUSLAW	318	6,943.52		6,943.52	21.83
		COUNTY TOTAL:	318	6,943.52		6,943.52	21.83
TILLAMOOK		SIUSLAW	92,321	2,015,825.95		2,015,825.95	21.83
		COUNTY TOTAL:	92,321	2,015,825.95		2,015,825.95	21.83
UMATILLA		UMATILLA	375,908	740,232.21		740,232.21	1.97
		WHITMAN	26,023	62,991.07		62,991.07	2.42
		COUNTY TOTAL:	401,931	803,223.28		803,223.28	2.00
UNION		UMATILLA	99,465	195,864.94		195,864.94	1.97
		WALLOWA	8,130	10,251.23		10,251.23	1.26
		WHITMAN	509,108	1,232,342.91		1,232,342.91	2.42
		COUNTY TOTAL:	616,703	1,438,459.08		1,438,459.08	2.33
WALLOWA		UMATILLA	123,510	243,213.98		243,213.98	1.97

RUN DATE: 11/30/81

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1981
OCT 1,1980 THRU SEP 30,1981
COUNTY SUMMARY

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-81 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		WALLOWA	977,975	1,233,141.95		1,233,141.95	1.26
		WHITMAN	41,125	99,546.86		99,546.86	2.42
		COUNTY TOTAL:	1,142,610*	1,575,902.79*		1,575,902.79*	1.38*
WASCO		MT. HOOD	208,068	2,283,279.73		2,283,279.73	10.93
		COUNTY TOTAL:	208,068*	2,283,279.73*		2,283,279.73*	10.93*
WHEELER		OCHOCO	127,450	707,975.20		707,975.20	5.55
		UMATILLA	40,348	79,452.66		79,452.66	1.97
		COUNTY TOTAL:	167,798*	787,427.86*		787,427.86*	4.69*
YAMHILL		SIUSLAW	25,440	555,481.56		555,481.56	21.83
		COUNTY TOTAL:	25,440*	555,481.56*		555,481.56*	21.83*
		STATE TOTAL:	15,075,478**	95,112,708.07**		95,112,708.07**	6.31**

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1982
OCT 1,1981 THRU SEP 30,1982
•--------COUNTY SUMMARY--------•

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-82 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
BAKER		MALHEUR	45,786	41,727.29		41,727.29	.91
		UMATILLA	6	4.17		4.17	.70
		WHITMAN	602,795	353,578.86		353,578.86	.59
		COUNTY TOTAL:	648,587•	395,310.32•		395,310.32•	.61•
BENTON		SIUSLAW	16,296	144,667.65		144,667.65	8.88
		COUNTY TOTAL:	16,296•	144,667.65•		144,667.65•	8.88•
CLACKAMAS		MT. HOOD	510,188	2,256,699.40		2,256,699.40	4.42
		WILLAMETTE	856	7,166.03		7,166.03	8.37
		COUNTY TOTAL:	511,044•	2,263,865.43•		2,263,865.43•	4.43•
COOS		SISKIYOU	47,073	85,040.34		85,040.34	1.81
		SIUSLAW	10,448	92,752.07		92,752.07	8.88
		COUNTY TOTAL:	57,521•	177,792.41•		177,792.41•	3.09•
CROOK		OCHOCO	433,820	878,587.66		878,587.66	2.03
		COUNTY TOTAL:	433,820•	878,587.66•		878,587.66•	2.03•
CURRY		SISKIYOU	558,769	1,009,451.43		1,009,451.43	1.81
		COUNTY TOTAL:	558,769•	1,009,451.43•		1,009,451.43•	1.81•
DESCHUTES		DESCHUTES	979,123	2,217,856.70		2,217,856.70	2.27
		COUNTY TOTAL:	979,123•	2,217,856.70•		2,217,856.70•	2.27•
DOUGLAS		ROGUE RIVER	65,399	300,898.52		300,898.52	4.60
		SIUSLAW	62,427	554,195.36		554,195.36	8.88
		UMPQUA	736,581	5,130,830.10		5,130,830.10	6.97
		WILLAMETTE	50,327	421,314.06		421,314.06	8.37
		COUNTY TOTAL:	914,734•	6,407,238.04•		6,407,238.04•	7.00•
GRANT		MALHEUR	1,119,161	1,019,952.61		1,019,952.61	.91
		OCHOCO	59,169	119,831.16		119,831.16	2.03
		UMATILLA	305,751	212,429.53		212,429.53	.69
		WHITMAN	82,607	48,454.43		48,454.43	.59
		COUNTY TOTAL:	1,566,688•	1,400,667.73•		1,400,667.73•	.89•

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1982
OCT 1,1981 THRU SEP 30,1982
COUNTY SUMMARY

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-82 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
HARNEY		MALHEUR	293,876	267,825.27		267,825.27	.91
		OCHOCO	223,237	452,107.50		452,107.50	2.03
		COUNTY TOTAL:	517,113*	719,932.77*		719,932.77*	1.39*
HOOD RIVER		MT. HOOD	212,962	941,988.48		941,988.48	4.42
		COUNTY TOTAL:	212,962*	941,988.48*		941,988.48*	4.42*
JACKSON		KLAMATH	24,859	25,434.56		25,434.56	1.02
		ROGUE RIVER	371,056	1,707,215.73		1,707,215.73	4.60
		UMPQUA	7,464	51,992.27		51,992.27	6.97
		COUNTY TOTAL:	403,379*	1,784,642.56*		1,784,642.56*	4.42*
JEFFERSON		DESCHUTES	160,375	363,272.81		363,272.81	2.27
		MT. HOOD	4,576	20,240.89		20,240.89	4.42
		WILLAMETTE	632	5,290.81		5,290.81	8.37
		COUNTY TOTAL:	165,583*	388,804.51*		388,804.51*	2.35*
JOSEPHINE		ROGUE RIVER	15,000	69,014.48		69,014.48	4.60
		SISKIYOU	281,240	508,077.80		508,077.80	1.81
		COUNTY TOTAL:	296,240*	577,092.28*		577,092.28*	1.95*
KLAMATH		DESCHUTES	290,451	657,913.96		657,913.96	2.27
		FREMONT	340,944	899,149.85		899,149.85	2.64
		ROGUE RIVER	71,868	330,662.16		330,662.16	4.60
		WINEMA	1,024,407	1,014,843.84		1,014,843.84	.99
		COUNTY TOTAL:	1,727,670*	2,902,569.81*		2,902,569.81*	1.68*
LAKE		DESCHUTES	172,664	391,109.20		391,109.20	2.27
		FREMONT	857,374	2,261,097.73		2,261,097.73	2.64
		COUNTY TOTAL:	1,030,038*	2,652,206.93*		2,652,206.93*	2.57*
LANE		SIUSLAW	242,572	2,153,431.64		2,153,431.64	8.88
		UMPQUA	107,104	746,058.38		746,058.38	6.97
		WILLAMETTE	970,855	8,127,543.17		8,127,543.17	8.37
		COUNTY TOTAL:	1,320,531*	11,027,033.19*		11,027,033.19*	8.35*
LINCOLN		SIUSLAW	171,014	1,518,175.88		1,518,175.88	8.88

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1982
OCT 1,1981 THRU SEP 30,1982
•--------COUNTY SUMMARY--------•

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-82 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		COUNTY TOTAL:	171,014•	1,518,175.88•		1,518,175.88•	8.88•
LINN		WILLAMETTE	466,427	3,904,708.30		3,904,708.30	8.37
		COUNTY TOTAL:	466,427•	3,904,708.30•		3,904,708.30•	8.37•
MALHEUR		MALHEUR	599	545.91		545.91	.91
		WHITMAN	3,193	1,872.90		1,872.90	.59
		COUNTY TOTAL:	3,792•	2,418.81•		2,418.81•	.64•
MARION		MT. HOOD	68,699	303,874.24		303,874.24	4.42
		WILLAMETTE	135,004	1,130,190.23		1,130,190.23	8.37
		COUNTY TOTAL:	203,703•	1,434,064.47•		1,434,064.47•	7.04•
MORROW		UMATILLA	143,170	99,471.58		99,471.58	.69
		COUNTY TOTAL:	143,170•	99,471.58•		99,471.58•	.69•
MULTNOMAH		MT. HOOD	72,415	320,311.11		320,311.11	4.42
		COUNTY TOTAL:	72,415•	320,311.11•		320,311.11•	4.42•
POLK		SIUSLAW	318	2,823.04		2,823.04	8.88
		COUNTY TOTAL:	318•	2,823.04•		2,823.04•	8.88•
TILLAMOOK		SIUSLAW	92,321	819,579.19		819,579.19	8.88
		COUNTY TOTAL:	92,321•	819,579.19•		819,579.19•	8.88•
UMATILLA		UMATILLA	375,908	261,173.18		261,173.18	.69
		WHITMAN	26,023	15,264.20		15,264.20	.59
		COUNTY TOTAL:	401,931•	276,437.38•		276,437.38•	.69•
UNION		UMATILLA	99,465	69,106.24		69,106.24	.69
		WALLOWA	8,000	5,438.35		5,438.35	.68
		WHITMAN	509,108	298,625.29		298,625.29	.59
		COUNTY TOTAL:	616,573•	373,169.88•		373,169.88•	.61•
WALLOWA		UMATILLA	123,510	85,812.22		85,812.22	.69

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1982
OCT 1,1981 THRU SEP 30,1982
•--------COUNTY SUMMARY--------•

ASR-10

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-82 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		WALLOWA	977,975	664,820.41		664,820.41	.68
		WHITMAN	41,125	24,122.52		24,122.52	.59
		COUNTY TOTAL:	1,142,610•	774,755.15•		774,755.15•	.68•
WASCO		MT. HOOD	208,868	923,879.61		923,879.61	4.42
		COUNTY TOTAL:	208,868•	923,879.61•		923,879.61•	4.42•
WHEELER		OCHOCO	127,450	258,116.26		258,116.26	2.03
		UMATILLA	40,348	28,032.96		28,032.96	.69
		COUNTY TOTAL:	167,798•	286,149.22•		286,149.22•	1.71•
YAMHILL		SIUSLAW	25,440	225,843.47		225,843.47	8.88
		COUNTY TOTAL:	25,440•	225,843.47•		225,843.47•	8.88•
		STATE TOTAL:	15,076,478••	46,851,494.99••		46,851,494.99••	3.11••

RUN DATE: 11/30/83

QTR: 4

STATE: OREGON

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1983
OCT 1,1982 THRU SEP 30,1983
COUNTY SUMMARY

ASR-10-3

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-83 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
BAKER		MALHEUR	45,786	74,307.49		74,307.49	1.62
		UMATILLA	6	9.21		9.21	1.54
		WHITMAN	602,855	736,263.75		736,263.75	1.22
		COUNTY TOTAL:	648,647*	810,580.45*		810,580.45*	1.25*
BENTON		SIUSLAW	16,296	191,035.87		191,035.87	11.72
		COUNTY TOTAL:	16,296*	191,035.87*		191,035.87*	11.72*
CLACKAMAS		MT. HOOD	510,188	3,665,490.61		3,665,490.61	7.18
		WILLAMETTE	858	8,425.42		8,425.42	9.84
		COUNTY TOTAL:	511,044*	3,673,916.03*		3,673,916.03*	7.19*
COOS		SISKIYOU	47,073	143,759.52		143,759.52	3.05
		SIUSLAW	10,447	122,468.81		122,468.81	11.72
		COUNTY TOTAL:	57,520*	266,228.33*		266,228.33*	4.63*
CROOK		OCHOCO	433,820	1,135,816.60		1,135,816.60	2.62
		COUNTY TOTAL:	433,820*	1,135,816.60*		1,135,816.60*	2.62*
CURRY		SISKIYOU	558,746	1,706,393.38		1,706,393.38	3.05
		COUNTY TOTAL:	558,746*	1,706,393.38*		1,706,393.38*	3.05*
DESCHUTES		DESCHUTES	979,128	4,529,196.18		4,529,196.18	4.63
		COUNTY TOTAL:	979,128*	4,529,196.18*		4,529,196.18*	4.63*
DOUGLAS		ROGUE RIVER	65,399	681,396.36		681,396.36	10.42
		SIUSLAW	62,427	731,823.54		731,823.54	11.72
		UMPQUA	736,581	4,740,327.66		4,740,327.66	6.44
		WILLAMETTE	50,327	495,357.62		495,357.62	9.84
		COUNTY TOTAL:	914,734*	6,648,905.18*		6,648,905.18*	7.27*
GRANT		MALHEUR	1,119,161	1,816,320.44		1,816,320.44	1.62
		OCHOCO	59,169	154,914.79		154,914.79	2.62
		UMATILLA	305,751	469,334.67		469,334.67	1.54
		WHITMAN	82,610	100,891.17		100,891.17	1.22
		COUNTY TOTAL:	1,566,691*	2,541,461.07*		2,541,461.07*	1.62*

RUN DATE: 11/30/83

PAGE: 85

QTR: 4

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1983
OCT 1,1982 THRU SEP 30,1983
COUNTY SUMMARY

ASR-10-3

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-83 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
HARNEY		MALHEUR	293,876	476,940.30		476,940.30	1.62
		OCHOCO	223,237	584,473.49		584,473.49	2.62
		COUNTY TOTAL:	517,113*	1,061,413.79*		1,061,413.79*	2.05*
HOOD RIVER		MT. HOOD	212,965	1,530,065.80		1,530,065.80	7.18
		COUNTY TOTAL:	212,965*	1,530,065.80*		1,530,065.80*	7.18*
JACKSON		KLAMATH	24,859	34,949.87		34,949.87	1.41
		ROGUE RIVER	371,056	3,866,056.18		3,866,056.18	10.42
		UMPQUA	7,464	48,035.19		48,035.19	6.44
		COUNTY TOTAL:	403,379*	3,949,041.24*		3,949,041.24*	9.79*
JEFFERSON		DESCHUTES	160,375	741,853.82		741,853.82	4.63
		MT. HOOD	4,576	32,876.68		32,876.68	7.18
		WILLAMETTE	632	6,220.64		6,220.64	9.84
		COUNTY TOTAL:	165,583*	780,951.14*		780,951.14*	4.72*
JOSEPHINE		ROGUE RIVER	15,000	156,285.96		156,285.96	10.42
		SISKIYOU	281,222	858,843.48		858,843.48	3.05
		COUNTY TOTAL:	296,222*	1,015,129.44*		1,015,129.44*	3.43*
KLAMATH		DESCHUTES	291,890	1,350,208.62		1,350,208.62	4.63
		FREMONT	340,944	1,186,628.03		1,186,628.03	3.48
		ROGUE RIVER	71,868	748,797.29		748,797.29	10.42
		WINEMA	1,024,467	4,280,916.54		4,280,916.54	4.18
		COUNTY TOTAL:	1,729,169*	7,566,550.48*		7,566,550.48*	4.38*
LAKE		DESCHUTES	173,304	801,660.07		801,660.07	4.63
		FREMONT	856,895	2,982,353.78		2,982,353.78	3.48
		COUNTY TOTAL:	1,030,199*	3,784,013.85*		3,784,013.85*	3.67*
LANE		SIUSLAW	242,552	2,843,405.28		2,843,405.28	11.72
		UMPQUA	107,104	689,276.61		689,276.61	6.44
		WILLAMETTE	971,017	9,557,507.28		9,557,507.28	9.84
		COUNTY TOTAL:	1,320,673*	13,090,189.17*		13,090,189.17*	9.91*
LINCOLN		SIUSLAW	171,014	2,004,774.69		2,004,774.69	11.72

RUN DATE: 11/30/83

QTR: 4

ASR-10-3

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1983
OCT 1,1982 THRU SEP 30,1983
COUNTY SUMMARY

STATE: OREGON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-83 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
LINN							
		COUNTY TOTAL:	171,014	2,004,774.69		2,004,774.69	11.72
		WILLAMETTE	466,107	4,587,788.94		4,587,788.94	9.84
		COUNTY TOTAL:	466,107	4,587,788.94		4,587,788.94	9.84
MALHEUR		MALHEUR	599	972.13		972.13	1.62
		WHITMAN	3,193	3,899.60		3,899.60	1.22
		COUNTY TOTAL:	3,792	4,871.73		4,871.73	1.28
MARION		MT. HOOD	68,699	493,574.02		493,574.02	7.18
		WILLAMETTE	135,004	1,328,814.75		1,328,814.75	9.84
		COUNTY TOTAL:	203,703	1,822,388.77		1,822,388.77	8.95
MORROW		UMATILLA	143,170	219,769.17		219,769.17	1.54
		COUNTY TOTAL:	143,170	219,769.17		219,769.17	1.54
MULTNOMAH		MT. HOOD	72,415	520,271.94		520,271.94	7.18
		COUNTY TOTAL:	72,415	520,271.94		520,271.94	7.18
POLK		SIUSLAW	318	3,727.88		3,727.88	11.72
		COUNTY TOTAL:	318	3,727.88		3,727.88	11.72
TILLAMOOK		SIUSLAW	92,321	1,082,266.97		1,082,266.97	11.72
		COUNTY TOTAL:	92,321	1,082,266.97		1,082,266.97	11.72
UMATILLA		UMATILLA	375,908	577,027.24		577,027.24	1.54
		WHITMAN	26,023	31,781.76		31,781.76	1.22
		COUNTY TOTAL:	401,931	608,809.00		608,809.00	1.51
UNION		UMATILLA	99,465	152,681.02		152,681.02	1.54
		WALLOWA	8,000	7,043.59		7,043.59	.88
		WHITMAN	509,134	621,802.77		621,802.77	1.22
		COUNTY TOTAL:	616,599	781,527.38		781,527.38	1.27
WALLOWA		UMATILLA	123,510	189,590.63		189,590.63	1.54

RUN DATE: 11/30/83

QTR: 4

STATE: OREGON

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1983
OCT 1,1982 THRU SEP 30,1983
COUNTY SUMMARY

ASR-10-3

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-83 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 8/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		WALLOWA	977,960	861,044.18		861,044.18	.88
		WHITMAN	41,125	50,225.75		50,225.75	1.22
		COUNTY TOTAL:	1,142,595•	1,100,860.56•		1,100,860.56•	.96•
WASCO		MT. HOOD	208,868	1,500,630.54		1,500,630.54	7.18
		COUNTY TOTAL:	208,868•	1,500,630.54•		1,500,630.54•	7.18•
WHEELER		OCHOCO	127,495	333,804.20		333,804.20	2.62
		UMATILLA	40,348	61,935.09		61,935.09	1.54
		COUNTY TOTAL:	167,843•	395,739.29•		395,739.29•	2.36•
YAMHILL		SIUSLAW	25,440	298,229.77		298,229.77	11.72
		COUNTY TOTAL:	25,440•	298,229.77•		298,229.77•	11.72•
		STATE TOTAL:	15,078,045••	69,212,544.63••		69,212,544.63••	4.59••

9. Question: If the proposed "tax equivalency" legislation is enacted, what would be the effect of payments to Oregon and California grant counties? How would the proposal affect the payment made to the Forest Service by the Department of the Interior for Oregon and California grant counties' timber management?

Answer: No effect on Oregon and California Grant payments would occur, as we have presently envisioned the proposal. The proposal is directed only at USDA receipts sharing authorities.

QUESTIONS SUBMITTED BY SENATOR DANIEL J. EVANS

STATE AND PRIVATE FORESTRY - PAYMENTS TO STATES

Your budget request states that all financial grants to States through the State and Private Forestry program will be discontinued. Furthermore, you suggest legislation to change the Payment to States program from a receipts sharing to a tax equivalency basis.

10. Question: What effect would these changes have on timber producing States?

Answer: The FY 1985 budget request will reduce Federal financial assistance to States in the cooperative programs by about $25 million. Current projections indicate that, overall, State forestry organizations will probably not replace these grants with their own funds. Almost all of the grants in the current program are targeted to assist the nonindustrial private woodland owner. A primary objective of this financial assistance is to increase timber supplies. In FY 1984, the approximate distribution of State grants, by area, is:

Location	Amount (million dollars)
West	7.8
Southeast	7.9
Northeast	9.3

The impacts of the proposed reduction are uncertain. If the States chose not to maintain an efficient mix of program activities after the loss in Federal financial assistance, levels of woodland protection from fire and pest losses will decline. In some States, state service forestry, which provides for direct assistance to forest landowners, would be limited to a more narrow range. Outputs associated from this assistance, such as reforestation, timber stand improvement, and soil and water protection, would be reduced accordingly.

The scope and the content of the proposed Payments to States legislation has not been agreed upon. Thus, we are not able to determine what the affects may be on timber producing States.

PAYMENT TO STATES

11. Question: Your budget request assumes proposed legislation that would change the payment to states program from a receipts sharing to a tax equivalency basis. Your budget request reflects an estimated savings of $40.5 million due to this proposed legislation. Assuming, hypothetically, that the legislation does not pass, how will the Forest Service make up the loss of savings?

    Answer: If the proposed legislation is not enacted, the Forest Service will continue to make the Payment to States in accordance with the Act of May 23, 1908, as amended (16 U.S.C. 500).

LAND ACQUISITION

12. Question: Your budget request provides for completion of existing land acquisition programs, but apparently for little else. Please explain your rationale for discontinuing the land acquisition program. Why aren't new acquisitions planned?

    Answer: The Forest Service Land and Water Conservation Fund (L&WCF) Land Acquisition Program for FY 1985 provides for purchasing 2,001 acres (Boundary Waters Canoe Area Wilderness - 161 acres, Lake Tahoe Basin - 500 acres, and cash equalization payments in land exchanges on 1,340 acres). Land exchanges will be heavily relied upon to acquire priority lands, so cash equalization funds will be needed to balance the values. New purchases in other areas will be temporarily postponed.

    Some of the requested $3.565 million in FY 1985 acquisition management funds will be used to develop alternatives to fee acquisition of lands needed for outdoor recreation, wilderness, and wildlife. This includes negotiating acquisition of land and interests in land by donation, land exchange, and working with State and local government officials to use their authorities to protect important recreation and wildlife habitat values.

PLANNED TIMBER SALES

Your budget request states that timber sales from Forest Service lands of 11.2 billion board feet are planned for 1985. You assume that 11.2 billion board feet will be harvested.

In 1984, 11.7 billion board feet of timber were offered, but only 10 billion board feet will have been harvested.

In 1983, 11.2 billion board feet of timber was offered, and only 9.2 billion board feet were harvested. In 1983, the Forest Service had approximately 38 billion board feet of uncut timber under contract and in 1984 the volume of uncut timber under contract is expected to reach nearly 40 billion board feet.

TIMBER CONTRACT RELIEF

13. Question: Please explain your rationale for maintaining such high levels of sales while such a large backlog of uncut timber under contract exists.

Answer: The FY 1985 timber sales level of 11.2 billion board feet is a modest reduction from the 11.7 billion board feet in FY 1984. This will provide timber sale purchasers an opportunity to blend the harvesting of new, more moderately priced sales with older higher priced sales.

14. In your opening statement, you state that timber purchasers desiring extention of timber sales purchased between 1976 and 1982 must submit a multi-sale extention plan covering all their Federal timber contracts to the Forest Service by February 15, 1984. You state that at this time it is too early to estimate accurately what effect the 5-year extension will have on the Forest Service timber program. Nevertheless, the 1985 budget request is based on the assumption that some of the large volumes of timber under contract at uneconomically high prices will be harvested.

a. Question: Please give me your best estimate of the amount of timber under contract at high prices that will be harvested?

Answer: Since we do not know the amount of the highly priced timber that will be included in 5-year extension plans, any estimate for FY 1985 harvest would be highly speculative. If such timber is not included in 5-year extension plans we would expect only a small part of that volume to be harvested in FY 1985. Up to 20 percent of the volume which is included in the 5-year extension plans could be harvested in FY 1985.

b. Question: To what extent have you relied on receipts from these sales in your budget request.

Answer: The FY 1985 budget was developed on the assumption that timber receipts would increase in FY 1984 and 1985. This is based on increased harvesting due to increased housing starts. No assumption was made as to the amount of receipts that would come from the higher priced timber sales that we expect to extend in FY 1984 and 1985.

c. Question: At the present time, how many timber sale purchasers have submitted timber sale extension plans.

Answer: Multi-sale extension plan information follows:

Question 14c - Answer

MULTI-SALE EXTENSION PLAN INFORMATION AS OF FEBRUARY 15, 1984
DATE

REGION	1 Number Of Multi-Sale Extension Plans Filed (Number of Plans)	2 Number Of Purchasers Filing Plans (Number of Purchasers)	3 Number Of Sales For Which Five-Year Extensions Requested (Number of Sales)	4 Number Of Sales In Category I Or IIA Expiring On Or Before 3/31/84 For Which No Extension Requested (Number of Sales)	5 Number Of Sales Expiring On Or Before 3/31/84 Not Included In Any Multi-Sale Extension Plan (Number of Sales)
1	66	64	288	0	2
2	19	19	65	4	9
3	12	7	53	0	1
4	26	26	86	0	6
5	119	66	399	5	12
6 1/	135	133	739	12	272
8	56	55	180	0	0
9	84	84	154	1	19
10	6	6	10	0	0
TOTAL	523	460	1974	22	321

This information is based upon preliminary information contained in the Multi-Sale Extension Plans received by February 22 .

1/ Many of the purchasers of Region 6 timber sales are involved in the North Side Lumber Company, et al., v. John Block, et al. These purchasers have additional time to file their plans in conjunction with the preliminary injunction in that case.

FEBRUARY 24, 1984
DATE PREPARED

ANADROMOUS FISH HABITAT IMPROVEMENT

15. Question: In your budget request you propose a decrease of $1.26 million in direct anadromous fish habitat improvement. Please explain your rationale for decreasing the amount of money spent on habitat improvement while at the same time anticipating an increase in harvest of 11.2 billion board feet of timber?

Answer: The emphasis in FY 85 is a shift to management and support. Support is wildlife and fisheries biologists conducting work in design, layout and planning of activities in other resources, in this case, especially road construction and timber management. The opportunity to maintain high fisheries capability in streams adjacent to road construction projects and timber sales is great.

The Forest Service has no control over the annual timber harvest volume. The 11.2 billion board feet anticipated is merely an estimate of how much timber that has already been sold will actually be cut. The increase is based on economic projections that indicate continued improvement in the housing industry throughout fiscal year 1985.

PAYMENT TO STATES - WASHINGTON COUNTIES

The FY 1985 budget request for the Forest Service recommends enactment of legislation to change existing Forest Service receipt sharing revenue sharing programs with states to a "tax equivalency" sharing basis.

16. Question: Would you please provide to me a breakdown of timber and other receipts that were shared with counties for each of the last five fiscal years? Also, I would like to have your projection of future receipts that Washington counties would receive if Congress were to enact your proposed legislation.

Answer: The following table shows the total Payments to States for the last five fiscal years, and the amount paid to the state of Washington:

Payments to States
(Dollars in Thousands)

Fiscal Year 1/	Payments to States (National Forest Fund)	Payments to the State of Washington	Receipts from National Grasslands 2/
1979	276,987	40,289	0.00
1980	276,982	32,709	0.00
1981	233,623	29,397	0.00
1982	230,486	18,108	0.00
1983	132,601	20,640	0.00

1/ Indicates the year payment was made.
2/ Payment is made on a calendar year basis.

We are not able to project future receipts at this time. The scope and content of the legislation has not been agreed upon.

The distribution of the payment to the state of Washington, by county, is shown in the following tables.

PAYMENT TO STATE - 25% OF NATIONAL FOREST RECEIPTS
COUNTY ALLOCATIONS BASED ON NF ACREAGE
SEPT 30, 1979

STATE OF WASHINGTON

Fiscal Year 1979

NATIONAL FOREST UNIT	COUNTY	NET NF ACREAGE	AMOUNT PAID ACT OF 5/23/08
KANIKSU N.F. *	PEND OREILLE	268,103	402,262.26
	STEVENS	15,250	22,881.13
	UNIT TOTALS	283,353	$ 425,143.39
UMATILLA N.F. *	ASOTIN	53,796	114,434.72
	COLUMBIA	159,513	339,315.68
	GARFIELD	95,467	203,077.10
	WALLA WALLA	2,433	5,175.48
	UNIT TOTALS	311,209	$ 662,003.08
OKANOGAN N.F.	OKANOGAN	1,499,512	1,411,201.35
	UNIT TOTALS	1,499,512	$ 1,411,201.35
GIFFORD PINCHOT N.F.	CLARK	1,430	17,227.44
	COWLITZ	20,722	249,641.39
	KLICKITAT	9,016	108,617.25
	LEWIS	370,039	4,457,921.49
	SKAMANIA	812,400	9,787,118.17
	YAKIMA	37,553	452,407.25
	UNIT TOTALS	1,251,160	$15,072,932.99
COLVILLE N.F.	FERRY	474,019	1,178,521.79
	PEND OREILLE	259,108	644,202.92
	STEVENS	211,052	524,724.50
	UNIT TOTALS	944,179	$ 2,347,449.21
MT. BAKER N.F.	SKAGIT	518,021	1,281,381.47
	SNOHOMISH	461,347	1,141,192.15
	WHATCOM	836,450	2,069,050.36
	UNIT TOTALS	1,815,818	$ 4,491,623.98
OLYMPIC N.F.	CLALLAM	519,718	2,939,805.52
	GRAYS HARBOR	160,316	906,833.83
	JEFFERSON	701,595	3,968,600.01
	MASON	164,896	932,740.78
	THURSTON	10	56.57
	UNIT TOTALS	1,546,535	$ 8,748,036.71

STATE OF WASHINGTON

NATIONAL FOREST UNIT	COUNTY	NET NF ACREAGE	AMOUNT PAID ACT OF 5/23/08
SNOQUALMIE N.F.	KING	334,594	1,433,677.18
	KITTITAS	55,288	236,899.48
	LEWIS	70,049	300,147.80
	PIERCE	129,938	556,701.76
	SNOHOMISH	169,671	727,010.77
	THURSTON	612	2,622.32
	YAKIMA	466,687	1,999,672.75
	UNIT TOTALS	1,226,839	$ 5,256,792.06
WENATCHEE N.F.	CHELAN	1,397,801	1,498,757.91
	DOUGLAS	2	2.14
	KITTITAS	349,648	374,901.52
	UNIT TOTALS	1,747,451	$ 1,873,661.57
	STATE TOTALS	10,626,056	$40,288,844.32

TOTAL ALLOCATION FOR COUNTIES
WITH ACREAGE IN MORE THAN ONE FOREST

CHELAN	$1,498,757.91
KITTITAS	$611,801.00
LEWIS	$4,758,089.29
PEND OREILLE	$1,046,465.18
SNOHOMISH	$1,868,202.92
STEVENS	$547,605.63
THURSTON	$2,678.89
YAKIMA	$2,452,060.00

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1980
OCT 1,1979 THRU SEP 30,1980
COUNTY SUMMARY

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
ASOTIN		UMATILLA	53,796	85,358.20		85,358.20	1.59
		COUNTY TOTAL:	53,796	85,358.20		85,358.20	1.59
CHELAN		WENATCHEE	1,397,801	931,221.10		931,221.10	.67
		COUNTY TOTAL:	1,397,801	931,221.10		931,221.10	.67
CLALLAM		OLYMPIC	519,728	2,952,996.69		2,952,996.69	5.68
		COUNTY TOTAL:	519,728	2,952,996.69		2,952,996.69	5.68
CLARK		GIFFORD PINCHOT	1,430	11,188.92		11,188.92	7.82
		COUNTY TOTAL:	1,430	11,188.92		11,188.92	7.82
COLUMBIA		UMATILLA	159,513	253,099.53		253,099.53	1.59
		COUNTY TOTAL:	159,513	253,099.53		253,099.53	1.59
COWLITZ		GIFFORD PINCHOT	20,402	159,633.80		159,633.80	7.82
		COUNTY TOTAL:	20,402	159,633.80		159,633.80	7.82
DOUGLAS		WENATCHEE	2	1.33		1.33	.67
		COUNTY TOTAL:	2	1.33		1.33	.67
FERRY		COLVILLE	474,019	699,429.58		699,429.58	1.48
		COUNTY TOTAL:	474,019	699,429.58		699,429.58	1.48
GARFIELD		UMATILLA	95,467	151,477.64		151,477.64	1.59
		COUNTY TOTAL:	95,467	151,477.64		151,477.64	1.59
GRAYS HARBOR		OLYMPIC	160,329	910,959.20		910,959.20	5.68
		COUNTY TOTAL:	160,329	910,959.20		910,959.20	5.68
JEFFERSON		OLYMPIC	701,618	3,986,461.44		3,986,461.44	5.68
		COUNTY TOTAL:	701,618	3,986,461.44		3,986,461.44	5.68
KING		SNOQUALMIE	334,594	1,437,231.43		1,437,231.43	4.30

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1980
OCT 1,1979 THRU SEP 30,1980
COUNTY SUMMARY

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		COUNTY TOTAL:	334,594	1,437,231.43		1,437,231.43	4.30
KITTITAS		SNOQUALMIE	55,288	237,486.78		237,486.78	4.30
		WENATCHEE	349,648	232,937.02		232,937.02	.67
		COUNTY TOTAL:	404,936	470,423.80		470,423.80	1.16
KLICKITAT		GIFFORD PINCHOT	9,016	70,544.96		70,544.96	7.82
		COUNTY TOTAL:	9,016	70,544.96		70,544.96	7.82
LEWIS		GIFFORD PINCHOT	370,039	2,895,340.26		2,895,340.26	7.82
		SNOQUALMIE	70,049	300,891.90		300,891.90	4.30
		COUNTY TOTAL:	440,088	3,196,232.16		3,196,232.16	7.26
MASON		OLYMPIC	164,896	936,908.04		936,908.04	5.68
		COUNTY TOTAL:	164,896	936,908.04		936,908.04	5.68
OKANOGAN		OKANOGAN	1,499,512	1,562,203.30		1,562,203.30	1.04
		COUNTY TOTAL:	1,499,512	1,562,203.30		1,562,203.30	1.04
PEND OREILLE		COLVILLE	258,896	382,008.99		382,008.99	1.48
		KANIKSU	256,601	238,168.17		238,168.17	.93
		COUNTY TOTAL:	515,497	620,177.16		620,177.16	1.20
PIERCE		SNOQUALMIE	129,938	558,142.04		558,142.04	4.30
		COUNTY TOTAL:	129,938	558,142.04		558,142.04	4.30
SKAGIT		MT. BAKER	518,021	1,140,870.71		1,140,870.71	2.20
		COUNTY TOTAL:	518,021	1,140,870.71		1,140,870.71	2.20
SKAMANIA		GIFFORD PINCHOT	812,401	6,356,565.99		6,356,565.99	7.82
		COUNTY TOTAL:	812,401	6,356,565.99		6,356,565.99	7.82
SNOHOMISH		MT. BAKER	461,948	1,017,377.56		1,017,377.56	2.20
		SNOQUALMIE	169,671	728,813.11		728,813.11	4.30
		COUNTY TOTAL:	631,619	1,746,190.67		1,746,190.67	2.76

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1980
OCT 1,1979 THRU SEP 30,1980
•--------COUNTY SUMMARY--------•

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
STEVENS		COLVILLE	211,052	311,413.70		311,413.70	1.48
		KANIKSU	13,621	12,642.54		12,642.54	.93
		COUNTY TOTAL:	224,673•	324,056.24•		324,056.24•	1.44•
THURSTON		OLYMPIC	10	56.83		56.83	5.68
		SNOQUALMIE	612	2,628.81		2,628.81	4.30
		COUNTY TOTAL:	622•	2,685.64•		2,685.64•	4.32•
WALLA WALLA		UMATILLA	2,433	3,860.46		3,860.46	1.59
		COUNTY TOTAL:	2,433•	3,860.46•		3,860.46•	1.59•
WHATCOM		MT. BAKER	836,450	1,842,167.22		1,842,167.22	2.20
		COUNTY TOTAL:	836,450•	1,842,167.22•		1,842,167.22•	2.20•
YAKIMA		GIFFORD PINCHOT	37,552	293,822.60		293,822.60	7.82
		SNOQUALMIE	466,687	2,004,630.17		2,004,630.17	4.30
		COUNTY TOTAL:	504,239•	2,298,452.77•		2,298,452.77•	4.56•
		STATE TOTAL:	10,613,040••	32,708,540.02••		32,708,540.02••	3.08••

RUN DATE: 11/30/81

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1981
OCT 1,1980 THRU SEP 30,1981
•--------COUNTY SUMMARY--------•

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-81 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
ASOTIN		UMATILLA	53,796	105,934.25		105,934.25	1.97
		COUNTY TOTAL:	53,796•	105,934.25•		105,934.25•	1.97•
CHELAN		WENATCHEE	1,397,843	1,423,297.67		1,423,297.67	1.02
		COUNTY TOTAL:	1,397,843•	1,423,297.67•		1,423,297.67•	1.02•
CLALLAM		OLYMPIC	519,724	2,159,997.95		2,159,997.95	4.16
		COUNTY TOTAL:	519,724•	2,159,997.95•		2,159,997.95•	4.16•
CLARK		GIFFORD PINCHOT	1,430	10,194.06		10,194.06	7.13
		COUNTY TOTAL:	1,430•	10,194.06•		10,194.06•	7.13•
COLUMBIA		UMATILLA	159,513	314,110.53		314,110.53	1.97
		COUNTY TOTAL:	159,513•	314,110.53•		314,110.53•	1.97•
COWLITZ		GIFFORD PINCHOT	20,402	145,440.01		145,440.01	7.13
		COUNTY TOTAL:	20,402•	145,440.01•		145,440.01•	7.13•
DOUGLAS		WENATCHEE	2	2.04		2.04	1.02
		COUNTY TOTAL:	2•	2.04•		2.04•	1.02•
FERRY		COLVILLE	474,019	443,700.13		443,700.13	.94
		COUNTY TOTAL:	474,019•	443,700.13•		443,700.13•	.94•
GARFIELD		UMATILLA	95,467	187,992.14		187,992.14	1.97
		COUNTY TOTAL:	95,467•	187,992.14•		187,992.14•	1.97•
GRAYS HARBOR		OLYMPIC	160,329	666,335.04		666,335.04	4.16
		COUNTY TOTAL:	160,329•	666,335.04•		666,335.04•	4.16•
JEFFERSON		OLYMPIC	701,618	2,915,958.17		2,915,958.17	4.16
		COUNTY TOTAL:	701,618•	2,915,958.17•		2,915,958.17•	4.16•
KING		SNOQUALMIE	334,595	1,419,189.25		1,419,189.25	4.24

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1981
OCT 1,1980 THRU SEP 30,1981
-------COUNTY SUMMARY-------

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-81 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		COUNTY TOTAL:	334,595	1,419,189.25		1,419,189.25	4.24
KITTITAS		SNOQUALMIE	55,288	234,504.81		234,504.81	4.24
		WENATCHEE	349,648	356,015.08		356,015.08	1.02
		COUNTY TOTAL:	404,936	590,519.89		590,519.89	1.46
KLICKITAT		GIFFORD PINCHOT	9,016	64,272.48		64,272.48	7.13
		COUNTY TOTAL:	9,016	64,272.48		64,272.48	7.13
LEWIS		GIFFORD PINCHOT	370,039	2,637,901.92		2,637,901.92	7.13
		SNOQUALMIE	70,677	299,777.46		299,777.46	4.24
		COUNTY TOTAL:	440,716	2,937,679.38		2,937,679.38	6.67
MASON		OLYMPIC	164,896	685,315.71		685,315.71	4.16
		COUNTY TOTAL:	164,896	685,315.71		685,315.71	4.16
OKANOGAN		OKANOGAN	1,499,512	1,596,309.48		1,596,309.48	1.06
		COUNTY TOTAL:	1,499,512	1,596,309.48		1,596,309.48	1.06
PEND OREILLE		COLVILLE	259,363	242,773.80		242,773.80	.94
		KANIKSU	256,361	265,349.87		265,349.87	1.04
		COUNTY TOTAL:	515,724	508,123.67		508,123.67	.99
PIERCE		SNOQUALMIE	129,938	551,133.80		551,133.80	4.24
		COUNTY TOTAL:	129,938	551,133.80		551,133.80	4.24
SKAGIT		MT. BAKER	518,021	1,053,327.87		1,053,327.87	2.03
		COUNTY TOTAL:	518,021	1,053,327.87		1,053,327.87	2.03
SKAMANIA		GIFFORD PINCHOT	812,401	5,791,373.78		5,791,373.78	7.13
		COUNTY TOTAL:	812,401	5,791,373.78		5,791,373.78	7.13
SNOHOMISH		MT. BAKER	461,981	939,377.87		939,377.87	2.03
		SNOQUALMIE	169,671	719,661.86		719,661.86	4.24
		COUNTY TOTAL:	631,652	1,659,039.73		1,659,039.73	2.63

RUN DATE: 11/30/81

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1981
OCT 1,1980 THRU SEP 30,1981
--------COUNTY SUMMARY--------

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-81 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 8/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
STEVENS		COLVILLE	211,052	197,552.84		197,552.84	.94
		KANIKSU	13,621	14,098.60		14,098.60	1.04
		COUNTY TOTAL:	224,673•	211,651.44•		211,651.44•	.94•
THURSTON		OLYMPIC	10	41.56		41.56	4.16
		SNOQUALMIE	612	2,595.80		2,595.80	4.24
		COUNTY TOTAL:	622•	2,637.36•		2,637.36•	4.24•
WALLA WALLA		UMATILLA	2,433	4,791.04		4,791.04	1.97
		COUNTY TOTAL:	2,433•	4,791.04•		4,791.04•	1.97•
WHATCOM		MT. BAKER	836,450	1,700,811.54		1,700,811.54	2.03
		COUNTY TOTAL:	836,450•	1,700,811.54•		1,700,811.54•	2.03•
YAKIMA		GIFFORD PINCHOT	37,552	267,697.44		267,697.44	7.13
		SNOQUALMIE	466,801	1,979,942.81		1,979,942.81	4.24
		COUNTY TOTAL:	504,353•	2,247,640.25•		2,247,640.25•	4.46•
		STATE TOTAL:	10,614,081••	29,396,778.66••		29,396,778.66••	2.77••

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1982
OCT 1,1981 THRU SEP 30,1982
COUNTY SUMMARY

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-82 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
ASOTIN		UMATILLA	53,796	37,376.36		37,376.36	.69
		COUNTY TOTAL:	53,796	37,376.36		37,376.36	.69
CHELAN		WENATCHEE	1,397,798	317,002.17		317,002.17	.23
		COUNTY TOTAL:	1,397,798	317,002.17		317,002.17	.23
CLALLAM		OLYMPIC	519,724	1,384,786.09		1,384,786.09	2.66
		COUNTY TOTAL:	519,724	1,384,786.09		1,384,786.09	2.66
CLARK		GIFFORD PINCHOT	1,150	5,388.25		5,388.25	4.69
		COUNTY TOTAL:	1,150	5,388.25		5,388.25	4.69
COLUMBIA		UMATILLA	159,513	110,826.37		110,826.37	.69
		COUNTY TOTAL:	159,513	110,826.37		110,826.37	.69
COWLITZ		GIFFORD PINCHOT	20,664	96,819.90		96,819.90	4.69
		COUNTY TOTAL:	20,664	96,819.90		96,819.90	4.69
DOUGLAS		WENATCHEE	2	.45		.45	.23
		COUNTY TOTAL:	2	.45		.45	.23
FERRY		COLVILLE	474,019	230,066.48		230,066.48	.49
		COUNTY TOTAL:	474,019	230,066.48		230,066.48	.49
GARFIELD		UMATILLA	95,467	66,328.52		66,328.52	.69
		COUNTY TOTAL:	95,467	66,328.52		66,328.52	.69
GRAYS HARBOR		OLYMPIC	160,329	427,190.91		427,190.91	2.66
		COUNTY TOTAL:	160,329	427,190.91		427,190.91	2.66
JEFFERSON		OLYMPIC	701,618	1,869,436.18		1,869,436.18	2.66
		COUNTY TOTAL:	701,618	1,869,436.18		1,869,436.18	2.66
KING		SNOQUALMIE	334,643	851,309.96		851,309.96	2.54

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1982
OCT 1,1981 THRU SEP 30,1982
COUNTY SUMMARY

ASR-10

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-82 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		COUNTY TOTAL:	334,643	851,309.96		851,309.96	2.54
KITTITAS		SNOQUALMIE	55,288	140,649.06		140,649.06	2.54
		WENATCHEE	349,648	79,295.56		79,295.56	.23
		COUNTY TOTAL:	404,936	219,944.62		219,944.62	.54
KLICKITAT		GIFFORD PINCHOT	9,016	42,243.91		42,243.91	4.69
		COUNTY TOTAL:	9,016	42,243.91		42,243.91	4.69
LEWIS		GIFFORD PINCHOT	370,045	1,733,823.10		1,733,823.10	4.69
		SNOQUALMIE	68,966	175,445.01		175,445.01	2.54
		COUNTY TOTAL:	439,011	1,909,268.11		1,909,268.11	4.35
MASON		OLYMPIC	164,896	439,359.52		439,359.52	2.66
		COUNTY TOTAL:	164,896	439,359.52		439,359.52	2.66
OKANOGAN		OKANOGAN	1,499,498	399,592.72		399,592.72	.27
		COUNTY TOTAL:	1,499,498	399,592.72		399,592.72	.27
PEND OREILLE		COLVILLE	259,708	126,050.02		126,050.02	.49
		KANIKSU	255,762	105,724.97		105,724.97	.41
		COUNTY TOTAL:	515,470	231,774.99		231,774.99	.45
PIERCE		SNOQUALMIE	129,938	330,553.79		330,553.79	2.54
		COUNTY TOTAL:	129,938	330,553.79		330,553.79	2.54
SKAGIT		MT. BAKER	517,982	974,276.69		974,276.69	1.88
		COUNTY TOTAL:	517,982	974,276.69		974,276.69	1.88
SKAMANIA		GIFFORD PINCHOT	814,468	3,816,139.74		3,816,139.74	4.69
		COUNTY TOTAL:	814,468	3,816,139.74		3,816,139.74	4.69
SNOHOMISH		MT. BAKER	462,026	869,028.59		869,028.59	1.88
		SNOQUALMIE	169,671	431,631.95		431,631.95	2.54
		COUNTY TOTAL:	631,697	1,300,660.54		1,300,660.54	2.06

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1982
OCT 1,1981 THRU SEP 30,1982
ASR-10
•--------COUNTY SUMMARY--------•

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-82 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
STEVENS		COLVILLE	211,052	102,434.69		102,434.69	.49
		KANIKSU	13,621	5,630.55		5,630.55	.41
		COUNTY TOTAL:	224,673•	108,065.24•		108,065.24•	.48•
THURSTON		OLYMPIC	10	26.64		26.64	2.66
		SNOQUALMIE	612	1,556.88		1,556.88	2.54
		COUNTY TOTAL:	622•	1,583.52•		1,583.52•	2.55•
WALLA WALLA		UMATILLA	2,433	1,690.40		1,690.40	.69
		COUNTY TOTAL:	2,433•	1,690.40•		1,690.40•	.69•
WHATCOM		MT. BAKER	836,450	1,573,285.82		1,573,285.82	1.88
		COUNTY TOTAL:	836,450•	1,573,285.82•		1,573,285.82•	1.88•
YAKIMA		GIFFORD PINCHOT	37,552	175,947.60		175,947.60	4.69
		SNOQUALMIE	466,801	1,187,511.30		1,187,511.30	2.54
		COUNTY TOTAL:	504,353•	1,363,458.90•		1,363,458.90•	2.70•
		STATE TOTAL:	10,614,166••	18,108,430.15••		18,108,430.15••	1.71••

RUN DATE: 11/30/83

PAGE: 84

QTR: 4

ASR-10-3

STATE: WASHINGTON

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1983
OCT 1,1982 THRU SEP 30,1983
COUNTY SUMMARY

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-83 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
ASOTIN		UMATILLA	53,796	82,578.07		82,578.07	1.54
		COUNTY TOTAL:	53,796	82,578.07		82,578.07	1.54
CHELAN		WENATCHEE	1,397,798	902,323.78		902,323.78	.65
		COUNTY TOTAL:	1,397,798	902,323.78		902,323.78	.65
CLALLAM		OLYMPIC	519,724	1,117,358.57		1,117,358.57	2.15
		COUNTY TOTAL:	519,724	1,117,358.57		1,117,358.57	2.15
CLARK		GIFFORD PINCHOT	1,150	6,528.98		6,528.98	5.68
		COUNTY TOTAL:	1,150	6,528.98		6,528.98	5.68
COLUMBIA		UMATILLA	159,513	244,856.05		244,856.05	1.54
		COUNTY TOTAL:	159,513	244,856.05		244,856.05	1.54
COWLITZ		GIFFORD PINCHOT	20,664	117,317.17		117,317.17	5.68
		COUNTY TOTAL:	20,664	117,317.17		117,317.17	5.68
DOUGLAS		WENATCHEE	2	1.29		1.29	.65
		COUNTY TOTAL:	2	1.29		1.29	.65
FERRY		COLVILLE	474,019	514,301.76		514,301.76	1.08
		COUNTY TOTAL:	474,019	514,301.76		514,301.76	1.08
GARFIELD		UMATILLA	95,467	146,544.00		146,544.00	1.54
		COUNTY TOTAL:	95,467	146,544.00		146,544.00	1.54
GRAYS HARBOR		OLYMPIC	160,329	344,692.54		344,692.54	2.15
		COUNTY TOTAL:	160,329	344,692.54		344,692.54	2.15
JEFFERSON		OLYMPIC	701,618	1,508,413.87		1,508,413.87	2.15
		COUNTY TOTAL:	701,618	1,508,413.87		1,508,413.87	2.15
KING		SNOQUALMIE	334,693	988,048.58		988,048.58	2.95

RUN DATE: 11/30/83

QTR: 4

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1983
OCT 1,1982 THRU SEP 30,1983
COUNTY SUMMARY

ASR-10-3

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-83 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
		COUNTY TOTAL:	334,653	988,048.58		988,048.58	2.95
KITTITAS		SNOQUALMIE	55,288	163,235.44		163,235.44	2.95
		WENATCHEE	349,626	225,694.88		225,694.88	.65
		COUNTY TOTAL:	404,914	388,930.32		388,930.32	.96
KLICKITAT		GIFFORD PINCHOT	9,016	51,187.17		51,187.17	5.68
		COUNTY TOTAL:	9,016	51,187.17		51,187.17	5.68
LEWIS		GIFFORD PINCHOT	370,045	2,100,882.33		2,100,882.33	5.68
		SNOQUALMIE	68,966	203,619.15		203,619.15	2.95
		COUNTY TOTAL:	439,011	2,304,501.48		2,304,501.48	5.25
MASON		OLYMPIC	164,896	354,511.17		354,511.17	2.15
		COUNTY TOTAL:	164,896	354,511.17		354,511.17	2.15
OKANOGAN		OKANOGAN	1,499,462	1,290,237.16		1,290,237.16	.86
		COUNTY TOTAL:	1,499,462	1,290,237.16		1,290,237.16	.86
PEND OREILLE		COLVILLE	259,991	282,085.38		282,085.38	1.08
		KANIKSU	255,762	223,605.47		223,605.47	.87
		COUNTY TOTAL:	515,753	505,690.85		505,690.85	.98
PIERCE		SNOQUALMIE	129,938	383,636.35		383,636.35	2.95
		COUNTY TOTAL:	129,938	383,636.35		383,636.35	2.95
SKAGIT		MT. BAKER	517,982	691,636.01		691,636.01	1.34
		COUNTY TOTAL:	517,982	691,636.01		691,636.01	1.34
SKAMANIA		GIFFORD PINCHOT	814,468	4,624,036.08		4,624,036.08	5.68
		COUNTY TOTAL:	814,468	4,624,036.08		4,624,036.08	5.68
SNOHOMISH		MT. BAKER	462,209	617,165.06		617,165.06	1.34
		SNOQUALMIE	169,671	500,946.33		500,946.33	2.95
		COUNTY TOTAL:	631,880	1,118,111.39		1,118,111.39	1.77

RUN DATE: 11/30/83

PAGE: 88

QTR: 4

ASR-10-3

PAYMENTS TO STATES FROM NATIONAL FOREST RECEIPTS
FISCAL YEAR 1983
OCT 1,1982 THRU SEP 30,1983
•--------COUNTY SUMMARY--------•

STATE: WASHINGTON

COUNTY	TOWNSHIP	NATIONAL FOREST	FY-83 ACRES	PAYMENT ACT OF 5/23/08	PAYMENT ACT OF 6/20/10	TOTAL PAYMENT	PAYMENT PER ACRE
STEVENS		COLVILLE	211,042	228,976.62		228,976.62	1.08
		KANIKSU	13,621	11,908.45		11,908.45	.87
		COUNTY TOTAL:	224,663•	240,885.07•		240,885.07•	1.07•
THURSTON		OLYMPIC	10	21.50		21.50	2.15
		SNOQUALMIE	612	1,806.90		1,806.90	2.95
		COUNTY TOTAL:	622•	1,828.40•		1,828.40•	2.94•
WALLA WALLA		UMATILLA	2,433	3,734.71		3,734.71	1.54
		COUNTY TOTAL:	2,433•	3,734.71•		3,734.71•	1.54•
WHATCOM		MT. BAKER	836,450	1,116,870.76		1,116,870.76	1.34
		COUNTY TOTAL:	836,450•	1,116,870.76•		1,116,870.76•	1.34•
YAKIMA		GIFFORD PINCHOT	37,552	213,196.59		213,196.59	5.68
		SNOQUALMIE	466,801	1,378,209.87		1,378,209.87	2.95
		COUNTY TOTAL:	504,353•	1,591,406.46•		1,591,406.46•	3.16•
		STATE TOTAL:	10,614,574••	20,640,168.04••		20,640,168.04••	1.94••

35-235 O - 84 - 76

QUESTIONS SUBMITTED BY SENATOR HOWARD M. METZENBAUM

TIMBER CONTRACT EXTENSIONS

17. Please provide the names of any companies that have extended their timber contracts under the administrative extension program announced by the President last year. Please include the value and volume of each of the contracts.

Answer: There have been no timber sale contracts extended yet. The deadline for timber purchasers to submit requests for extensions was February 15, 1984.

See the response to question 14c for multi-sale extension plan information. As timber sales in the plan near termination dates, the Forest Service will calculate a stumpage rate redetermination and propose contract modifications. The purchaser will then have 30 days to execute the modified contract. Some extensions may be executed soon, due to special needs of individual purchasers. The vast majority of extensions will occur over the next several years.

18. Question: The Grace Commission made a series of recommendations regarding the Forest Service. Please identify which of these recommendations you support and provide a timetable for implementation. Please identify which recommendations you oppose and why. Please address yourself to all of the recommendations.

Answer: The Forest Service generally supports all 10 Grace Commission recommendations as shown in the final report. The recommendations, some of which are quite general such as #50, are now being implemented if feasible, cost effective, and within our authority to act. A copy of the implementation plan containing these recommendations, action steps, milestones, and timetable for completion is provided.

Several of the recommendations also contain subrecommendations which require legislative action before implementation is possible. For example, Recommendations AG-44 to "Revised Recreation Fees," AG-46 to "Increase Forest Service Grazing Fees," AG-50-2 to "Consolidate the Northeast State and Private Forestry office with NFS Region 9" and AG 50-9 to "Undertake a comprehensive study of the Forest Service organization" requires action by Congress. Also, efforts to comply with AG-49 to "Restructure Forest Service Research Activities" has in the past resulted in some specific language in the appropriations bill which prevented closures of several Research locations targeted for termination.

The Forest Service specifically opposes two recommendations under AG-50. They are 50-2 to "Consolidate the Northeast State and Private Forestry office with National Forest System, Region 9," and 50-9 to "Undertake a comprehensive study of the Forest Service organization." Number 50-2 is not desirable because earlier studies showed projected cost savings would not be attainable. There is currently an efficient shared service working relationship with two co-located units (NE Station and NE Area), and the present location at Broomall is more convenient to most Eastern States as opposed to being located at Milwaukee, National Forest System Regional Headquarters.

We are opposed to 50-9 because significant changes have been made in organizing and streamlining our organization and program delivery systems at the Washington Office, Regions, Stations, and Area Offices over the past 3 years; and we are currently evaluating additional opportunities as part of Reform '88, the Federal Field Structure Review, our Information Resources Management Initiatives (FLIPS), and by OMB's direction to consolidate additional administrative services. The same objectives are being achieved with our current approach and at less long term costs. Additional authority is also necessary, as stated above, to undertake such a major effort at this time.

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 41 Improve Cash Management of Timber Sales.

Action Steps	Milestones	Estimated Completion Date

Several steps have been taken over the past 18 months to improve cash flow management of timber sales:

1. All sales included under the recently authorized 5-year timber sale extension program will be placed on a payment schedule.

2. Sales currently sold require a mid-contract period payment even though operations may not have started.

3. Early payment discounts are being offered on a trial basis for some timber sales on the west side of the Pacific Northwest Region.

4. An up front deposit of 5 percent of the bid value of a Timber Sale is required. Forest Service is considering increasing this to 10 percent.

Further steps will be considered after evaluating the results of the items already initiated.

Budgetary Impact (Millions)

PPSSCC Revenue Estimate: Year 1 $145.9, year 2 $153.2, year 3 $160.8

USDA-FS Estimate: FY 1985 $10, FY 1986 $10, FY 1987 $10.

Reduced purchaser flexibility, and increased "up front" cash investments, will likely lower bid rates for timber and thus keep revenues from increasing at the rate anticipated by PPSSCC.

Revenue is included in budget proposals.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System

Remarks

0921e:9/01/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 42 Improve Timber Appraisal Methods.

Action Steps	Milestones	Estimated Completion Date
Transaction evidence (T.E.) timber sale appraisal systems have already been implemented in the Eastern Regions. This appraisal process will be implemented for the western Regions as follows:		
Implement pilot program in a western Region for T.E. Appraisal process.	Sell one third of Northern Region timber sale volume in FY 1984 using T.E.	Sept 1984
Forest Service monitor and analyze pilot western program	Approve and/or modify process for western Region use	FY 1985
Collect necessary data for developing program in all western Regions	T.E. process developed for Rocky Mountain Southwestern, and Intermountain Regions	FY 1987
Initiate process implementation in remaining Regions	Program implemented	FY 1989

Budgetary Impact (Millions)

PPSSCC Revenue Estimate: Year 1 $30, year 2 $33, year 3 $36.3.

USDA-FS Estimate: FY 1984 $0, FY 1985 $0.5, FY 1986 $0.5.

Revenue projections are included in budget proposals.

There will be eventual budget savings because of increased efficiencies in timber sale appraisal process. However, there will be no savings in the next several years because of the need to maintain residual value appraisal systems for timber sale contract extensions. The primary benefit of TE appraisal will be improved public creditability in the appraisal process.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System

Remarks:

Forest Service will need to proceed cautiously in implementing T.E. appraisal process in areas of limited competition. The reliability of applying transaction evidence gathered in areas of high competition to areas of no or limited competition is questionable.

092le:9/01/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 43 Adopt Lump Sum Timber Sales Procedures.

Action Steps	Milestones	Estimated Completion Date
Tree measurement (lump sum) sales procedures are used almost exclusively in the Eastern Regions and on a limited basis in the rest of the Regions. Approximately 20 percent of the total annual National Forest timber sale volume is sold under tree measurement sales procedures.		
Increase emphasis on tree measurement, sales procedures where appropriate and the necessary tools are available.	Letter of emphasis from Chief	FY 1984
Revise timber sale volume measurement standards and criteria	Revise FSM 2440	FY 1984
Revise tree volume tables as necessary to obtain required volume estimate for tree measurement sales	Revise volume tables	FY 1987-92
Initiate use of revised tables	Increase tree measurement sales	FY 1988-93
Initiate tree measurement sales in all appropriate forest types*	Program implemented	FY 1994

Budgetary Impact (Millions)

PPSSCC Revenue Estimate: Year 1 $16, year 2 $18, year 3 $20.

USDA-FS Estimate: No projected revenue increases.

Will eventually decrease or eliminate scaling costs. Short-term costs will increase because of need to maintain scaling capabilities for existing sales while preparing tree measurement sales.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System

Remarks:

*Tree measurement sales may not be appropriate in large, old-growth timber types because of potential high defect losses and subsequent increased risk to purchaser, and could result in lower bid rates and thus reduced revenues.

0921e:9/01/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 44 Revise Forest Service Recreation Fees

Action Steps	Milestones	Estimated Completion Date
A. (44-1&2) Proposed legislation change has been provided to OMB to charge User fees.	Legislative proposal	Completed
B. As a part of House Report 97-942, Congress expressed concern over large fee increases for recreation residence use and requested the Forest Service to report alternatives that should be considered in relating fee increases more closely to the rise in cost of living. That report has been submitted to the Congress and we are now considering changes to the fee system.	Implement new fee system resulting from study just completed.	1986

Budgetary Impact (Millions)

PPSSCC Revenue Estimate: $33.5 with change in law

USDA-FS Estimate: Year 1 $15, Year 2 $17, Year 3 $21.5

Revenue is dependent upon legislative change. Because of Congressional interest and involvement in this matter, it may not be possible to realize significant increases in revenue.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System

Remarks
(44-3) Change in ski resort fee system has proven impractical because of its complexity and a review of the alternative fee systems did not reveal a more cost effective method than the one currently being used.

0921e:8/31/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 45 Increase firewood revenues

Action Steps	Milestones	Estimated Completion Date

Forest Service has initiated a charge system that substantially implements the recommendation.

Budgetary Impact (Millions)

PPSSCC Revenue Estimate: Year 1 $20; year 2 $22, year 3 $24.

USDA-FS Estimate: Year 1 $7, year 2 $10, year 3 $17.

Revenue has been included in budget proposals.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System

Remarks

092le:9/01/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 46 Increase Forest Service Grazing Fees.

Action Steps	Milestones	Estimated Completion Date
A. Grazing fee review and evaluation (Section 12b of Public Law 95-514)	1. Draft Fee Study Report (FS/BLM)	August 31, 1984
	2. USDA/USDI Review	Sept 30, 1984
	3. Technical Review (OMB, ARS, ERS)	Oct. 15, 1984
	4. Public Review	Nov. 15 to Dec. 31, 1984
	5. Final Report Submitted to Congress.	March 1, 1985

Budgetary Impact (Millions)

PPSSCC Revenue Estimate: Year 1 $17.6, year 2 $19.4, year 3 $21.3.

USDA-FS Estimate : Revenue dependent upon legislative action.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System

Remarks

Most of the data needed for the grazing fee review and evaluation has been collected. The major remaining task is to analyze the data and organize it into a report. Budgetary and staffing impacts are not a significant issue at this stage of the grazing fee study.

A new grazing fee schedule for 1986 and subsequent years will depend on recommendations from this study, and the willingness by Congress to accept the Administration's proposal.

0921e 9/01

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 47 Reduce Forest Service Road Program Expenditure

The Forest Service recognized potential savings in road construction costs and initiated actions below starting in FY 1982 and continuing through FY 1986.

Action Steps	Milestones	Estimated Completion Date
1. The Forest Service Handbook was rewritten to provide policy standards and guidance more appropriate for low volume roads which has resulted in a reduction of road costs.		Completed
2. Technique of Value Engineering initiated in Regions to look for cost reduction opportunities prior to design completion.		Continuing
3. Road design and construction audits performed by WO Staff to check on compliance with 1 and 2 above.		Continuing
4. Regions to make assessment of process for planning and design of roads in order to assure proper management decisions are made in a timely manner to further increase cost-effectiveness of the road construction programs.	WO Review Regions' Plans	06/01/84
	WO Develop National Action Plan	08/01/84
	WO and Regions Monitor Progress, Regions Submit Progress Reports	09/01, 01/01, 05/01 annually (Until plan is accomplished)
	Discussion of Progress and Results at Winter RF&D Meeting	01/85
	Continue to Assess Progress and Results	FY 1985 and FY 1986

Budgetary Impact (millions)

PPSSCC Estimate : Year 1 $52, year 2 $57, year 3 $63

USDA-FS Estimate: FY 1983 $26, FY 1984 $50, FY 1985 $50

Savings are included in cost per mile budget requests.

Responsible Official

R. M. Housley, Deputy Chief for National Forest System

Remarks

The Forest Service recognized savings potentials late in FY 1981 and accrued a savings of $29 million in FY 1982 which, if added to the $126 million accumulated through FY 1985 would bring the total to $155 million. These savings have already been reflected in cost per mile requests in the FY 1983, 1984, and 1985 programs and budgets. Savings are based on constant FY 1982 dollars.

#0921e 9/01/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 48 Improve Forest Service Data Processing Planning

Action Steps	Milestones	Estimated Completion Date
1. Implementation planning is being done at all levels. A national plan is complete. Some site plans are completed and others are underway or in the planning stage. Lessons learned in the implementation of early units will be applied to units which have not yet completed site preparation or installed equipment.		Ongoing through FY 1986
The implementation sequence recommended has been adopted.		
2. Conduct a major National Systems Management Review to reassess Agency direction and action taken to date and recommend needed adjustments in the following areas:	1. Approve Study 2. Complete Study 3. Implement	Done 11/1/83 9/30/84
3. Participate in USDA Reform '88 related studies.	1. Provide technical assistance 2. Implement appropriate actions	Ongoing FY 1984

a. Organizational design and structure for distributed processing
b. Management of the Information Resource
c. Employee readiness for the technology
d. Development and coordination of National Systems
e. Role of major computer centers with distributed processing
f. Systems development and data base management roles
g. National, Regional, and local roles in system development
h. Relationship of cooperators in systems and information management

Budgetary Impact (Millions)

	FY 1983	FY 1984	FY 1985	FY 1986
PPSSCC Estimate Savings:	$13.0	$14.3	$15.7	
USDA-FS Estimate Savings:		$13.0	$14.3	$15.7

Savings will be delayed one year due to implementation timing. The above savings have been included in agency budget proposals.

Responsible Official
Jerome A. Miles, Deputy Chief for Administration

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 49 Restructure Forest Service Research Activities.

-1 Close 8-10 research locations and 20 RWU's; analyze need for all 80 research units.

Action Steps	Milestones	Estimated Completion Date
Ten research locations were targeted for closure during fiscal year 1983. Subsequent, specific language in the congressional appropriation bill prohibited closure of four of these locations. As a result, six locations were closed in FY 1983. Seven RWU's were also terminated.		Sept. 30, 1983
In FY 1984 the President's budget proposed three locations for closure. While joint Congressional actions on the FY 1984 appropriation bill have not yet occurred, specific language in the Senate appropriation has prohibited closure of two of these locations.		
Further analysis of research locations will be made during the process of preparation of the FY 1985 budget.		February 1984

Budgetary Impact (Millions)

PPSSCC Estimate: Year 1 $2.0, year 2 $3.5, year 3 $5.0

USDA-FS Estimate: FY 1983 $1.7, FY 1984 $2.2, FY 1985 $4.4

Savings have been included in budget proposals.

Responsible Official
DR. Robert E. Buckman, Deputy Chief for Research

Remarks

#0978e/8/30

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 49 Restructure Forest Service Research Activities

-2 Merge Support Services for four Western Stations and Regional Offices; Study remaining Stations and Regions.

Action Steps	Milestones	Estimated Completion Date
Support services have been merged with Regional Offices at Portland, Oregon, and Ogden, Utah.		July 1, 1983
Support services also have been merged between the Rocky Mountain Station and the Arapaho-Roosevelt National Forest at Fort Collins, Colorado.		July 1, 1983
Studies now are underway to assess opportunities for merging support services between the Research Station at Berkeley, California, and the Regional Office at San Francisco.	1. Study completed 2. Implement	December 1,1983 July 1, 1984
Selective actions already have been and are being taken at several of the eastern Stations to merge support services with other adjacent National Forest offices or other local USDA Agencies.	1. Complete Review report 2. Implement appropriate action	Feb. 1, 1984 Sept. 30, 1984

Budgetary Impact (Millions)
PPSSCC Estimate: $4

USDA-FS Estimate: FY 1983 $.3, FY 1984 $.6, FY 1985 $1.3

Savings have been included in budget proposals.

Actual savings have been less than estimated in the PPSSCC Report. The Regions do not have many of the specialized administrative and support personnel which are necessary for the conduct of research programs; e.g., technical editors, biometricians, etc. Also, the estimate that the Regions have extra administrative capacity to support the Station needs without adding additional people was made without any supporting analysis. Actual experience has proven savings to be somewhat less than survey expectations as shown.

Responsible Official
Dr. Robert E. Buckman, Deputy Chief for Research

Remarks

#0978e 9/01/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 49 Restructure Forest Service Research Activities

-3 Develop more cooperative research arrangements with private industry, associations and other interested parties.

Action Steps	Milestones	Estimated Completion Date
An inter-Station study group chaired by the Director of the Forest Products Laboratory will evaluate alternatives and develop a consistent process for expanding cooperative research relationships and active research participation with private industry, associations and others.	Complete Study	February 1, 1984
Recommendations of the above study group will be reviewed and made an operational part of research management at all Forest Service Experiment Stations and the Forest Products Laboratory.		March 1, 1984

Budgetary Impact (Millions)
PPSSOC Estimate: None

Responsible Official
Dr. Robert E. Buckman, Deputy Chief for Research

Remarks
Historically, the forest products industry has not ranked high among the various industrial sectors in R&D expenditures. In 1982, available data on R&D spending showed an all-industry average of 2.4% of sales. Expenditures by forest product-related firms averaged 1% of sales. Also, sales of wood and paper products are very much affected by business cycles and during down-market periods companies often consider R&D as a convenient area in which to cut costs.

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President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50 Reduce Forest Service Staff Levels.

-1 Merge Support Services for four Western Stations.

Action Steps	Milestones	Estimated Completion Date

(Duplication of Recommendation AG-49-2)

Budgetary Impact (Millions)

Responsible Official

Remarks

#964e/8/30

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50 Reduce FS Staff Levels.

-3 Prepare FS and Minerals Management Service (MMS) Memorandum of Understanding.

Action Steps	Milestones	Estimated Completion Date

Forest Service is drafting a Memorandum of Understanding for program coordination with the Bureau of Land Management. (Agency that absorbed MMS onshore minerals activities on December 3, 1982.)

The two agencies have completed a joint study of the merits of shifting minerals responsibilities for National Forest System to the Forest Service in order to eliminate duplication of effort. This shift in responsibilities would result in a savings of about $3 million for the Federal Government (both FS and BLM).

Budgetary Impact (Millions)

PPSSCC Estimate Savings: $3

USDA-FS Estimate of net savings to Federal Government: FY 1984 $1.5, FY 1985 $2.8, FY 1986 $3.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System

Remarks

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President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50 Reduce Forest Service Staff Levels

-4 Reduce overall costs of planning.

Requirements of the National Forest Management Act and the California RARE II lawsuit preclude further significant staff and cost reductions in planning until after completion of the current National Forest Management Plans and the 1985 RPA Update.

Action Steps	Milestones	Estimated Completion Date
1. The current Forest Service policy is to examine and select the most efficient course of action balancing in-house resources with outside opportunities utilizing contract, research grants, coop agreement, etc.		Continuing
2. Conduct an overall critique of Forest planning and 1985 RPA update to consider whether a legislative review of planning statutes is warranted and for other purposes.	Completion of planning cycle and 1985 RPA Update	FY 1986
3. Establish Forest planning and RPA standards.		Completed

Budgetary Impact (Millions)

PPSSCC Savings Estimate: $39.5

USDA-FS Estimate: FY 1984 $ 0, FY 1985 $ 0, FY 1986 $ 3.6
Savings are included in budget proposals.

Responsible Official
R. M. Housley, Deputy Chief for National Forest System
J. Lamar Beasley, Deputy Chief for Programs & Legislation

Remarks

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President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50 Reduce Forest Service Staff Levels.

-5 Reduce GA costs.

Action Steps	Milestones	Estimated Completion Date
1. Reduction of GA staffing from FY 1981 thru FY 1985 will total 21%, which is greater than the recommended target.		
2 Specific reductions have been made in controllable GA costs and staffing as follows:		
a. Combined Support Service of three Western Research Stations		FY 1983
b. Combined Region 8 and Southeastern S&PF Area Office		FY 1983
c. Reduced WO and Regional Office staffing		FY 1983
3. Conduct a study to evaluate sharing/combining of Support Services at:		
a. San Francisco PSW/R-5	1. Complete Study 2. Implement needed actions.	12/1/83 7/1/84
b. Four Eastern Research Stations	1. Complete reviews 2. Implement needed action	2/1/84 9/30/84
4. Complete a special study to identify efficiences in procurement and contracting.	1. Complete study 2. Implement cost cutting actions	9/30/83 4/1/84
5. Complete a special study to identify efficiencies in personnel classification.	1. Complete study 2. Implement needed actions.	Done 9/30/84
6. Conduct a special study as a part of Reform '88 to evaluate delegations of administrative authority especially in personnel and procurement.	1. Complete study 2. Implement needed actions.	6/30/84 9/30/84

50-5
Budgetary Impact (Millions)

PPSSCC Estimate: $25

USDA-FS Estimate: FY 1983 $18.3, FY 1984 $22.5, FY 1985 $28.7.

Savings are included in budget proposals.

Responsible Official
Jerome A. Miles, Deputy Chief for Administration
J. Lamar Beasley, Deputy Chief for Programs and Legislation

Remarks
Uncontrollable increasing cost of USDA assessments, rents, and communication have held up GA total cost levels. Without the staffing reductions made, GA costs would have been much higher.

0964e 9/1/83

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50 Reduce Forest Service Staff Levels.

-6 Reduce counterpart organizations.

Action Steps	Milestones	Estimated Completion Date
Reduction of 19.3% or 9,703 FTE's will have been made in staffing levels from FY 1980 to FY 1985.		
Specific actions include:		
1. Reduce WO Staff by 10 % since FY 1981.		FY 1984
2. Reorganize Regional offices to reduce staff, combine functions and reduce number of Deputy positions.	1. Northern & Rocky Mt Region restructure 2. Other Regions consolidated staffs & functions. 3. Reorganize Intermountain Reg.	FY 1983 FY 1983 FY 1984
3. Manage numbers of technical specialists, staffing levels, and use of contract and grant specialists.		Continuing
4. Perform 90-95% of contracting at the Forest level.		Completed
5. Conduct special productivity team study of engineering technical functions.	1. Complete study 2. Implement needed change.	Oct. 1983 FY 1984

Budgetary Impact (Millions)

PPSSCC Estimate: year 1 $10 to $35 in year 3

USDA-FS Estimate: FY 1983 $18.1, FY 1984 $36.2, FY 1985 $36.2

Savings are included in budget proposals.

Responsible Official
Jerome A. Miles, Deputy Chief for Administration

Remarks

Total Agency FTE staffing reductions estimate are: FY 1983 793, FY 1984, 1284. (Summary of all AG-50 actions.) No overall personnel reductions are planned for FY 1985. If reductions are imposed, savings will increase proportionately.

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President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50 Reduce Forest Service Staff Levels.

-7 Install improved work measurement system.

Action Steps	Milestones	Estimated Completion Date
The Forest Service has an automated project oriented system that provides cost as well as output information which accomplishes the intent of this recommendation.	1. Develop unit costs 2. Implement decision variables 3. Cost accountable perform. stds.	Completed FY 1984 Completed
Participate in the USDA Reform '88 evaluation of administrative systems to reexamine and apply results to FS Administrative Systems.		FY 1984
Use value engineering, tradeoff evaluation, cost benefit analysis and other analysis techniques for major engineering projects and contracts.		Continuing
Implement distributed computer processing to aid in unit cost analysis, evaluation analysis, and evaluation techniques.		Start FY 1983 Finish FY 1987
Improve accounting system (PAMARS) to insure that it is capable of tracking project costs, overhead (GA) costs and units of output.		Completed

Budgetary Impact

PPSSCC Savings Estimate:	$45 million over several years.
USDA-FS Estimate:	None

The Forest Service has already implemented automated systems which provide the benefits of the proposed labor intensive work measurement system. Development of a totally new system would cost several million dollars and yield no added savings

Responsible Official

Jerome A. Miles, Deputy Chief for Administration

Remarks

President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50 Reduce Forest Service Staff Levels

-8 Improve administrative processes.

Action Steps	Milestones	Estimated Completion Date
The Forest Service has implemented or is pursuing many improvement efforts as follows:		
1. Implement Service-wide distributed processing system to improve effectiveness, efficiency, and management information. (See AG-48 for analyses being made)		Ongoing
2. Revise program budget formulation process to reduce impact on Forests	1. Special study 2. Implement	Completed FY 1984
3. Attempt to gain congressional approval to simplify the appropriation structure during FY 1980 and will continue to pursue this as the opportunity presents itself.		Continuing
4. Establish a goal to reduce personnel processing costs by 25% through the following:		
A. Transmit T&A Reports electronicaly to NFC	1. Pilot test 2. Implement	March 1984 Oct. 1984
B. Implement Productivity Improvement Team Study and action plan to reduce position classification processing costs.	1. Issue Handbook on use of standard position descriptions.	Jan. 1984
C. Participate with Department in test of Air Force Personnel Management Information system.	1. Complete test on Mt. Baker/ Snoqualomie NF 2. Implement	Jan. 1984 FY 1984
D. Test electronic transmission of personnel documents to NFC.	1. Complete pilot test 2. Implement	Sept. 1984 March 1985
E. Eliminate erroneous Office of Workers Compensation Program (OWCP) charges.		Accomplished

F. Pilot test OWCP payments by Forest Service.	1. Complete pilot test	Oct. 1984
G. Simplify summer/seasonal employment (S/STEP)	1. Complete project/ implement	Oct. 1983
H. Complete study on reduction or elimination of directives	1. Recommendations to Chief 8/83 2. Implement	March 1984
5. Reduce number of transfers of high grade employees to minimum, delegated authority to Regions/Stations to fill GS/GM-13 positions without nationwide advertising and reduction in force areas made smaller.		Completed
6. Examine Human Resource Programs annually as part of the annual program budget process.		Continuing
7. Conduct a special study to identify possible efficiencies in contracting including elimination of uneconomic contracts.	1. Complete study 2. Implement cost cutting actions	9/30/83 4/30/84

Budgetary Impact (Millions)

PPSSCC Estimate: $12 million

USDA-FS Estimate: FY 1983 $3.2, FY 1984 $7.6, FY 1985 $7.6.

Responsible Official
Jerome A. Miles, Deputy Chief for Administration

Remarks

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President's Private Sector Survey on Cost Control

Implementation Plan

Recommendation # AG - 50-9 Improve effectiveness and efficiency of the Forest Service through organizational change.

Action Steps	Milestones	Estimated Completion Date
The Forest Service has completed and is continuing to identify and implement practical organizational changes at all levels. Specific actions include:		
1. Reorganize Regional Offices	1. Reorganize two Regions	FY 1983
	2. Combine Staff in other Regions	FY 1983
	3. Reorganize Intermountain Region	FY 1984
2 Combine support services of four Western Research Stations with adjacent Regional or other Offices.	1. Portland, Ogden and Ft. Collins implemented	FY 1983
	2. Study San Francisco/ Berkeley	12/1/83
	3. Implement SanFrancisco/ Berkeley	7/1/84
3. Identify opportunities to combine or share services of eastern Research Stations.	1. Complete Review Report	Feb. 1, 1984
	2. Implement appropriate action.	Sept. 30, 1984
4. Consolidate Southern Regional Office and Southeastern S&PF Area Office.		Completed
5. Consolidate Ranger District offices to improve effectiveness, efficiency, or public service.	1. Consolidated 124 District Offices and 8 Forest Supervisor offices from 1970 to present	Completed
	2. Study added opportunities	Continuing

Budgetary Impact

PPSSCC - No estimate made

Savings are included in budget proposals and are included in other PPSSCC action plans.

Responsible Official
Jerome A. Miles, Deputy Chief for Administration.

Remarks
Significant savings have been and are continuing to be made through selective, practical changes that result in real improvement in effectiveness and efficiency. Major structural reorganization is not warranted considering Agency performance, action to date, and the impacts of major study upon productivity, cost, and public opinion. A reorganization proposal in 1972 resulted in constraining language in Agency appropriations that continuing efforts have failed to have removed.

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ADDITIONAL COMMITTEE QUESTIONS
(Submitted by Minority)

LAND SALES

19. Question: What is your estimate of National Forest land sales in FY 1985?

Answer: The only anticipated sales are some small scattered Land Utilization tracts in Michigan involving about 960 acres and a few small unutilized administrative sites containing less than 50 acres. These tracts will be declared excess to the General Services Administration (GSA) under existing authorities and GSA will actually dispose of them. It is possible that approximately 100 acres may be sold under specific authorities contained in the Townsite Act (7 USC 1012a, 16 USC 478a) and the Small Tracts Act (16 USC 521c-ii).

PROPOSED LEGISLATION

Last year, in response to a question at the Committee's hearing on the FY 1984 budget, the Forest Service indicated that legislation authorizing the sale of National Forest lands would be transmitted "shortly after the start of the 98th Congress." Like the fee legislation, this proposal has been in the budget for three years; but the authorizing legislation has never been forwarded to the Congress.

20. Question: Have the Forest Service's views changed regarding the need for such legislation?

Answer: No. Based on public and congressional reactions to the proposal to sell National Forest lands, we are reviewing alternative legislative proposals.

The fiscal year 1985 budget does not anticipate substantial revenue from the sale of National Forest land.

21. Question: Please explain your proposal to change the existing Forest Service revenue sharing program with the states from a receipts sharing basis to a tax equivalency basis. Please provide a table showing the estimated effect of this change and the amount of funds to be received by each state.

Answer: The proposal revises the way the Department of Agriculture will share National Forest System receipts with the States.

Laws dating back to 1908 require 25 percent of revenues collected by the Forest Service from timber sales, grazing, recreation and other land uses on the National Forest System to be paid to States for distribution to counties in which the land is located. The funds are used for public schools and roads.

A major difficulty with basing county revenues on national forest receipts is the large fluctuation in the market for wood products. Such fluctuations in county revenues create significant difficulties for county planning and budgeting.

Payments under the present system are based on gross rather than net receipts to the federal government. This is illogical.

The budget proposes that the present procedure be reviewed with a view toward making the present system more rational or basing payment on an equivalent to what would have been paid as property taxes if the National Forest System lands were in private ownership. A carefully developed proposal could make distribution of receipts more equitable than it is under the present system.

No estimates are available. The scope and content of the legislation must be agreed upon before such estimates are made.

22. Question: The Administration has indicated for three years that it will transmit entrance and other fee legislation for the U.S. Forest Service to the Congress. Each year, increased revenue assumptions are made about fees in the Forest Service budget, and yet the legislation is never transmitted. Will this legislation be proposed during the second session of the 98th Congress? If not, or if it is not enacted, how would you propose to deal with the $25 million revenue shortfall which will result.

Answer: It is our intention to forward this legislation during the second session of the 98th Congress. There are no plans to make up the shortfall if the proposed legislation is not enacted.

DEFAULTED TIMBER CONTRACTS

23. Question: What assumptions does the budget make regarding defaulted timber contracts in FY 1985? Is the Department contemplating transmitting any initiatives to the Congress this year regarding timber contract relief.

Answer: The FY 1985 budget assumes that 200 to 400 million board feet of timber contract volume will default and be reoffered for sale.

We do not contemplate transmitting any initiatives to the Congress this year regarding timber contract relief.

RECEIPTS

24. Question: What was the Forest Service's estimate of receipts in FY 1981, 1982, 1983, and 1984; and what was the total amount of receipts actually collected?

Answer:

Fiscal Year	Estimated Receipts in President's Budget	Actual Receipts
1981	$ 1,355,194,000	$1,091,787,000
1982	$ 1,611,500,000	$ 721,130,000
1983	$ 2,059,568,000	$ 871,909,000
1984	$ 1,303,740,000	$1,227,012,000 *

*Current estimate.

RARE III

25. Question: How much money do you plan to spend in FY 1985 on RARE III? Please provide this information on a state-by-state basis.

Answer: The President's Budget request is $27,097,000 for the Land Management Planning Program. Included within the program are all the various planning components including the roadless area reevaluation. Currently estimated costs on a state-by-state basis are not available. The Regional distribution of funds included within the President's Budget request for all Land Management Planning activities is as follows:

State	Estimated Costs
Region 1	3,407,000
Region 2	1,305,000
Region 3	1,910,000
Region 4	1,551,000
Region 5	5,251,000
Region 6	5,729,000
Region 8	2,388,000
Region 9	2,100,000
Region 10	980,000
Subtotal	(24,621,000)
WO	2,476,000
Total	27,097,000

UNCUT TIMBER

26. Question: The Department has indicated that some 40 billion board feet of timber remains sold but uncut in the National Forests? Please break this figure down on a state-by-state basis.

Answer: The projected estimate of uncut volume of timber under contract on October 1, 1984, by State is as follows:

State	Regular Sales 1/ Volume Million Board Feet
Alabama	121
Alaska	541
Arizona	982
Arkansas	485
California	7,428
Colorado	500
Florida	174
Georgia	67
Idaho	2,699
Illinois	40
Indiana	25
Kentucky	48
Louisiana	423
Maine	7
Michigan	520
Minnesota	539
Mississippi	305
Missouri	69
Montana	2,117
Nebraska	1
Nevada	19
New Hampshire	95
New Mexico	418
North Carolina	174
Ohio	10
Oklahoma	10
Oregon	13,383
Pennslyvania	133
South Carolina	125
South Dakota	477
Tennessee	55
Texas	293
Utah	106
Vermont	55
Virginia	96
Washington	5,732
West Virginia	60
Wisconsin	409
Wyoming	252
Total	38,993

1/ Volume excludes long-term contracts.

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